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CONTENTS

INTER-ASIAN AFFAIRS

- Irrigation Systems in Need of Rehabilitation
(Thaung Myine; BUSINESS TIMES, 6 Jul 81)..... 1
- Asean Tin Producers See Japanese Vote as Bitter Blow
(BUSINESS TIMES, 21 Jul 81)..... 2

BANGLADESH

- Sterilization Emphasized in Family Planning Program
(Ataus Samad; BUSINESS TIMES, 15 Jul 81)..... 3

BRUNEI

- Master Plan for Agriculture To Be Developed
(David Leake; BORNEO BULLETIN, 4 Jul 81)..... 4

INDIA

- Congress-I Defeated in Andhra Pradesh Elections
(THE HINDU, 29 Aug 81)..... 5
- Reporters Interview Opposition Party Leaders
(THE TIMES OF INDIA, 30 Aug 81)..... 7
- Rao Reports to Press on CPI Council Meeting
(THE TIMES OF INDIA, 30 Aug 81)..... 17
- Rao: Nation Concerned at Shift in U.S. Arms Policy
(THE STATESMAN, 29 Aug 81)..... 19
- Commentator Writes on Malaise in Party System
(K. K. Katyal; THE HINDU, 31 Aug 81)..... 21

CPI Resolution Gives Plan for Fair Elections (PATRIOT, 28 Aug 81).....	25
Janata Welcomes Pawar's Policy of Cooperation (THE TIMES OF INDIA, 30 Aug 81).....	27
Finance Minister Deemed Optimistic on Economy (THE HINDU, 28 Aug 81).....	28
Nation Offers To Share Technology With Third World (PATRIOT, 28 Aug 81).....	30
Naxalbari Leader Briefs Press on Kerala Tour (PATRIOT, 1 Sep 81).....	31
Commentator Gives Background to Laldenga Journey (S. Guru Dev; THE STATESMAN, 29 Aug 81).....	33
Parliament Gets Report on Government Budgeting (PATRIOT, 29 Aug 81).....	37
Gandhi Inaugurates Congress-I Youth Camp (PATRIOT, 29 Aug 81).....	38
Assam Delegations Call on Gandhi, Home Minister (PATRIOT, 31 Aug 81).....	39
Gowda Dissolves Karnataka Unit of Congress-U (THE TIMES OF INDIA, 31 Aug 81).....	40
Soviet Visitor Told View on Afghanistan Talks (G. K. Reddy; THE HINDU, 29 Aug 81).....	42
Rao: Nation Financing South African Struggle (THE TIMES OF INDIA, 1 Sep 81).....	44
Delhi Keeping Close Watch on Subversive Elements (G. K. Reddy; THE HINDU, 31 Aug 81).....	45
Delhi Reported Ready To Discuss Arms Reduction (G. K. Reddy; THE HINDU, 30 Aug 81).....	47
Delhi Seeks To End Delay in Defense Purchases (PATRIOT, 29 Aug 81).....	49
Alleged Subversive Groups Under Investigation (PATRIOT, 29 Aug 81).....	51
Minister Asks Public Sector To Increase Efficiency (THE TIMES OF INDIA, 30 Aug 81).....	52

Dilbagh Singh Takes Over as Chief of Air Staff (THE TIMES OF INDIA, 1 Sep 81).....	54
Installation Ceremony Reported 'UNI' Interview Summarized	
Iran Reported Increasing Imports From Nation (THE TIMES OF INDIA, 31 Aug 81).....	57
Jharkhand Party Planning To Seek Broad Base (THE STATESMAN, 31 Aug 81).....	59
ONGC Member Writes on Onshore Exploration (H. G. T. Woodward; THE STATESMAN, 31 Aug 81).....	61
Parliament Unit Reports on Thal Vaishet Project (THE STATESMAN, 31 Aug 81).....	65
Interministerial Panel on Energy Formed (PATRIOT, 31 Aug 81).....	67
Solar, Biogas Energy Projects Being Pushed (V. S. P. Kurup; BUSINESS TIMES, 13 Jul 81).....	69
Economic Research Unit Sees Need for Rubber Imports (THE TIMES OF INDIA, 1 Sep 81).....	70
Mathura Refinery To Be Commissioned in November (PATRIOT, 31 Aug 81).....	72
Growth Reported in Public Sector Electronics (PATRIOT, 31 Aug 81).....	74
Foreign Exchange Reserves Fall Rapidly (K. K. Sharma; THE STATESMAN, 1 Sep 81).....	76
RSS Reported Campaigning Against Conversions (PATRIOT, 2 Sep 81).....	77
Public Sector Units Reportedly Suffer Heavy Losses (THE STATESMAN, 1 Sep 81).....	79
Briefs	
Foreign Aid Utilization	80
Leader of Janata Party	80
Congress-U Resignation	80
Exports to Cuba	80
Eastern Command Chief	81
Shipment to Russia	81
Burmah Oil Purchase	81
Gandhi Travel Plans	81
Desai on Pakistan	82

Congress-U Parliamentary Chief	82
Assam Students' Stand	82
Law Commission Members	82
Godavari Exploration Aid	83
Southern Command Chief	83
Youth Congress Secretary	83
Indo-UAE Joint Panel	83
Maharashtra Minister Dismissed	84
Naga Panel Formed	84
New Zealand Envoy	84
Chiefs of Staff Chairman	84

INDONESIA

Parliament not Proper Vehicle for Settlement of Labor Disputes (KOMPAS, various dates).....	85
FBSI, SBLP Criticized	
FBSI Defends Record	
Labor Problems Team Formed	
Garuda Airways in Major Expansion Program (Richard Cowper; BUSINESS TIMES, 13 Jul 81).....	89

LAOS

IMF Analysts Upbeat on Future of Economy (Thierry Jean Rommel; THE NATION REVIEW, 6 Aug 81).....	90
Teachers, Students Abandoning Schools for Employment (SUKSA MAI, May 81).....	94

MALAYSIA

Reactivation of Ministry of National, Rural Development (BUSINESS TIMES, 29 Jul 81).....	95
Private Firm To Manage Sabah Land Development Board (NEW STRAITS TIMES, 21 Jul 81).....	96
Tun Mustapha To Resume Leadership of Sabah Party (BORNEO BULLETIN, 27 Jun 81).....	97

NEPAL

Prime Minister Does not Foresee Re-emergence of Parties (Elizabeth Hawley; BUSINESS TIMES, 7 Jul 81).....	98
--	----

PAKISTAN

Abbasi Claims Israel Could Start World War III (H. M. Abbasi; MORNING NEWS, 10 Sep 81).....	99
--	----

Japan Grants 2.35 Billion Yen Loan (MORNING NEWS, 11 Sep 81).....	103
Need To Close Widening Trade Gap Noted (ECONOMIC REVIEW, Mar 81).....	104
End of Income Tax Suggested (S.M.A. Rizvi; ECONOMIC REVIEW, Jan 81).....	108
Role of Taxation Policy in Industrial Development (Iqbal Naeem Pasha; ECONOMIC REVIEW, Jan 81).....	114
'REVIEW' Comments on Prevalence of Corruption (Umar; ECONOMIC REVIEW, Jan 81).....	119
Review of Agricultural Crops (ECONOMIC REVIEW, Apr 81).....	122
Briefs	
Stopping Currency Flow	129

PHILIPPINES

Profiles of Prime Minister Cesar Virata (BUSINESS TIMES, 8, 31 Jul 81).....	130
Marcos' Number 2 Man, by Monica Feria No Political Ambitions, by Lysander Garcia	
Eight Geothermal Fields in Various Stages of Development (Ho Sook Han; BUSINESS TIMES, 10 Jul 81).....	132
Manila Finds Foreign Loan Funds Easily Available (BUSINESS TIMES, 31 Jul 81).....	133

SINGAPORE

Need To Update Five-Power Defense Arrangement (Francis Daniel; NEW STRAITS TIMES, 6 Jun 81).....	134
---	-----

THAILAND

Army Faces Problems in CPT Suppression in Surat Thani (Pairoj Poompradit, Sombat Raksakul; THE NATION REVIEW, 20, 21, 22 Aug 81).....	135
Cabinet Approves Purchase of Australian Aircraft (THE NATION REVIEW, 26 Aug 81).....	140
Briefs	
Fishermen Trading With Vietnamese	141
Concern Over World Bank Debt	141

IRRIGATION SYSTEMS IN NEED OF REHABILITATION

Kuala Lumpur BUSINESS TIMES in English 6 Jul 81 p 15

[Article by Thaung Myine in Bangkok]

[Text] DEVELOPING Asian and Pacific countries, many of them dependent on agriculture for their economic well-being, have begun rehabilitating existing irrigation systems but much still remains to be done.

That is the consensus of irrigation experts who met here last month at a conference organised by the United Nations Economic and Social Commission for Asia and the Pacific (Escap).

The experts noted that China had 150 large-scale and more than 5,000 medium irrigation projects supplying water to over 47 million hectares (116 million acres) of farmland, which accounted for two-thirds of total food production.

But surveys conducted in some of the large irrigation networks showed that their average efficiency was only 42.7 per cent because of excessive silting of irrigation structures, particularly in projects drawing water from the Yellow River and its tributaries, they noted.

Experts said China was taking several steps for efficient working of its irrigation works, including measures to prevent diversion of water from silt-laden rivers,

and build reservoirs and tanks to store surplus waters during the non-irrigation and rainy season.

India had irrigation facilities for about 57 million hectares (140 million acres) but their performance was inadequate due to engineering and management faults and average production was only 1.8 tons per hectare.

But the country had launched a programme of coordinated development of irrigation, including plans to irrigate 150 million hectares (370 million acres) out of a total cropped area of 200 million hectares (494 million acres), they said.

The experts noted that India's plan aimed at achieving self-sufficiency in food and fibre production along with other socio-economic objectives.

Rice dominated irrigated crops in Indonesia, accounting for 60 per cent of the area of all major food crops grown. Last year 18 million tons of rice were harvested from 8.5 million hectares (20.9 million acres), 17 million tons of that from five million hectares (12 million acres) of irrigated land.

Realising that a drop in food production was due to deterioration of ir-

rigation systems, Indonesia's five-year plans from 1974 onwards laid emphasis on rehabilitation of irrigation projects, construction of small irrigation networks and dev (1.3 million acres) under padi were irrigated, the average yield amounted to 2.5 tons per hectare which was considered very low.

To remedy the poor performance of existing irrigation projects, the government had undertaken engineering improvements, including upgrading of capacity of main canals and distribution system and provision of water measuring devices and additional control structures, experts said.

Cultivation of crops in Pakistan centred on irrigation of the Indus basin with waters from the Indus River and its main tributaries. The irrigation systems served a contiguous area of 13.96 million hectares (34.5 million acres).

The standard of maintenance of the systems was low and major problems were waterlogging and salinisation. Measures were being taken to improve that.

Experts said the Philippines had launched a programme to rehabilitate and improve national irrigation sys-

tems covering 1.2 million hectares (2.9 million acres).

The Philippine government in the last few years had stressed development of communal irrigation with programmes for rehabilitation, improvement and expansion of existing communal irrigation systems, they said.

In New Zealand, with 124,000 hectares (306,410 acres) under irrigation, efficiency was low in old irrigation systems probably due to poor design and low water flow.

The experts said measures to improve the situation could include regrading land to suit dyking, design modification and increased use of automatic and remote control systems.

They said engineering designs and plans for new irrigation projects in the region should be reviewed by persons or agencies fully versed in local conditions.

They also advised setting up a "unified authority" to coordinate various activities of different agencies involved in irrigation in the region. Farmers should be trained to take part fully in planning, operation and maintenance of irrigation systems. — Reuter

ASEAN TIN PRODUCERS SEE JAPANESE VOTE AS BITTER BLOW

Kuala Lumpur BUSINESS TIMES in English 21 Jul 81 p 1

[Excerpts]

THE US vote against an increase in the buffer stock price range at last week's meeting of the International Tin Council was a disappointment to the producers. But they were not surprised by it.

After all, any attempt to moderate the play of market prices is sinful in terms of the Reagan Administration's economic theology, unless of course vital US interests need to be protected.

Producers are, however, at a loss to understand why Japan, which professes to have a special relationship with Asean, decided to support the US in its intransigence. The Asean tin producers see the Japanese vote as a bitter blow, damaging to the whole framework of Asean-Japan cooperation.

But for Japan's support, the US veto against the price increase sought by the producers would have failed since the EEC ten — with the largest block of votes next only to the US — has decided to support the producers' modest demand for a 4.5 per cent increase in the floor price from \$27.25 a kilogramme to \$28.50.

Equally puzzling to the producers was the Soviet decision to line up with the US on the price issue. In a situation of world-wide confrontation

between the two super powers, this strange collusion had council members searching high and low for an explanation.

Sources in London advance two alternative hypotheses for Moscow's hostility towards producers at this juncture. One is that it was a political tit-for-tat, linked either to the Asean initiative in organising the UN conference on Kampuchea or to the Malaysian expulsion of three Soviet diplomats on charges of spying.

In contrast with this startling hypothesis is the more mundane one that the Soviet Union is right now replenishing its stocks of tin, as indicated by its recent intervention on the London Metal Exchange.

This being the case, it was loth to see market prices move up in the wake of a revision in the buffer stock exchange.

The sources in London are busy assessing how producers would react to the frustrations of their efforts since March 1980 to get the buffer stock price revised.

The general assumption is that they will now give up trying to get the US to join the sixth tin agreement, which was thrashed out last month in Geneva. The agreement will open for ratification on Aug. 3 1981.

One section among producers is convinced that given the attitude the US has lately adopted, it will be better if it chooses not to join.

But moderate producers, specially Malaysia, prefer US participation not only because it is the world's largest tin consumer but also because its abstention would be a poor augury for other commodity agreements now being worked out. The tin pact will survive without the US but not those for less strong commodities.

Sources here say that US membership will put more money at the disposal of the buffer stock manager and thus help him to operate it more effectively. But the gain from this will be wholly offset if US entry means accepting a lower price range within which the manager is allowed to buy it from the market to keep prices above the prescribed floor.

Although the US joined the fifth agreement, its financial contribution was delayed by legislative obstacles until early this year. In other words, its support was notional rather than actual.

Fortunately, the need to buy for the buffer stock arose only a few weeks ago. But had the con-

tingency arisen earlier, the buffer stock would still have been able to accumulate 25,000 tonnes or so with the money contributed by other members and almost an equal amount on the strength of credit from banks by pledging holdings of tin.

This point is being made to underline that US membership is not an absolute essential for operating a tin agreement. But of course US hostility will be a different matter altogether because of the market power it exercises by virtue of its enormous stockpile.

From mid-1973 to mid-1974, the US sold 43,000 tonnes from the stockpile. This led to the disaster of 1975 when buffer stock buying of 23,000 tonnes failed to halt a decline in prices, obliging producers to go in for export controls as a last resort.

Since July 1980, renewed US selling has injected a modest 1,000 tonnes into a progressively weakening market. Will the US, if left out of the sixth agreement, be less restrained in its disposal policy? Some experts in producing countries think it will not because the outcome may be a political alienation of friendly countries important in American global calculations.

STERILIZATION EMPHASIZED IN FAMILY PLANNING PROGRAM

Kuala Lumpur BUSINESS TIMES in English 15 Jul 81 p 6

[Article by Ataus Samad]

[Text]

BANGLADESH, whose population has more than doubled in a generation (from 42 million in 1951 to 90.25 million today), faces the prospect of it doubling again at the turn of the century, unless a crash programme of Family Planning is immediately launched. With one of the highest densities in the world — 1,623 people per square mile — the Bangladesh government estimates that if the population continues to increase at the present rate, the country will need an extra 350,000 tons of food, 281,000 new houses and 750,000 new jobs every year. As it is, with a much increased food production, there is an annual deficit made up by imports, and the number below the poverty line has been rapidly rising and is expected to rise further to 74 million by 1985.

The government's aim is towards one-child families and the reduction of the present population growth rate by 2.7 per cent to 1.7 per cent by 1985 and then to one per cent. Only this massive cutback in birth rates would keep the population between 100 million and 117 million by the end of the century. This can only be achieved by sterilising 3.4 million women and men volunteers in the next three years, instead of five as planned in the second four-year plan.

Few observers, however, think the government can reach its target. True, the propaganda jingles *Small family, happy family* and *Boy or girl, two are enough* have become immensely popular even with lisping children, but their parents still generally prefer four, especially in the rural areas. And if they do not yet have a son the answer is, "Keep trying."

After eight years of the family planning campaign, on the employment of 27,000 functionaries and virtually free

contraceptives, the number responding has increased from six per cent of potent couples to only about 14 per cent.

Performances of the government's family planning workers has been poor. In eight years they have been able to induce barely four per cent of the active couples to accept sterilisation.

Finally, as a World Bank report says, helpful socio-economic factors needed for fertility rate decline are missing in Bangladesh. These are: high urban population, predominant non-agricultural labour force, fewer female marriages before age 20, high female literacy, good hospital facilities and a reasonable newspaper readership.

Yet, not everything is hopeless. Family planning workers are becoming less suspect in the largely conservative rural Bangladesh. Even though the craving for sons remains — as helping hands or to maintain the lineage, more and more poor women now dare to visit sterilisation clinics openly. Religious resistance in the predominant Muslim society still exists, but is now passive. There are more doctors and para-medics in semi-rural and village areas now than ever before.

Against this backdrop the government is trying to work a two-pronged strategy:

- Getting village leaders, specially women members of Gram Sarkars (village councils), which were set up at the initiative of assassinated President Ziaur Rahman, to help assist the female family planning workers in persuading people, and

- To get as many sterilisations done as possible.

The stress on sterilisation is because uneducated rural folk have been found unable to use contraceptives according to instructions.

Efforts are on to reach as high a target as 100,000 sterilisations a month, by next July. "Mini-clinics are being opened in villages so that women do not have to go a long distance for the operation," Dr Fazlul Karim the Health Minister, said. "These clinics will also give maternity and child health care by way of advice and supply of basic medicines." Sterilisation will be performed by visiting doctors, who will also give medical check-ups to mothers in problem.

Col. Lutfe Alam Khan, the man in charge of family planning field workers in the country, says from his experience: "Psychological factors involved make the outcome of the programme difficult to predict but if the village leaders help we can hope to win."

Meanwhile, government has facilitated abortion in a way — which does not have a legal cover as yet — by what it calls menstrual regulation (MR). A woman can visit a hospital in the early stage of menstrual stoppage and have the menstruation revived by a suction device. "At least this is saving lives," says a doctor, "because fewer women are going to quacks." He says there is a strong case for legalising abortion.

A bill to raise minimum marriageable age from existing 14 for girls and 18 for boys to 16 and 22 respectively will soon be debated in Parliament, the Health Minister said. But it is apparent that the government is hesitant to take other steps, like limiting subsidised food supply to families from government ration shops to a couple and two children only, and not more, proposed by the Planning Commission to induce people to have small families. — Third World Media

MASTER PLAN FOR AGRICULTURE TO BE DEVELOPED

Kuala Belait BORNEO BULLETIN in English 4 Jul 81 pp 22, 23

[Article by David Leake]

[Excerpts]

BRUNEI IS blessed with large deposits of oil and has prospered as a result. But "all good things must come to an end," goes one saying, so the government is looking for ways to keep the state prosperous after the oil runs out.

One obvious solution would be to open Brunei's large tracts of sparsely populated jungle for farming. But investors with visions of huge oil palm, cocoa and rubber estates producing bumper crops and profits had better be patient.

With oil and natural gas supplies sure to last many more years, the government is in no hurry to open up the interior to growers who might bring more problems than benefits.

Instead, the government and Brunei Shell Petroleum are jointly funding a 16-month, multi-million dollar study expected to produce the region's most com-

prehensive and forward-looking master plan for agriculture.

That plan will be developed by ULG Consultants Limited of England and Brunei government departments, based on the findings of more than 20 experts ULG will be bringing in from other countries.

As well, about 50 local residents are being hired as support staff in the office and in the field.

ULG (the letters stand for the names of the company's three founders) has years of experience doing similar comprehensive surveys, the most recent large-scale ones being done in Egypt and Thailand. The firm also provides consultants for such bodies as the United Nations' Food and Agriculture Organization.

The first state-wide survey of Brunei's agricultural potential was done by Hunting Technical Services, also of

England, in the late 1960s.

That survey analysed the soils in different parts of the state and determined the best areas for farming.

This kind of information is essential for the efficient use of land. But Brunei was not ready to go into agriculture in a big way, so the results were saved for the future.

Now, more than a decade later, the "fever" for big agricultural schemes has reached Brunei and the government has been getting applications for land from both local and foreign investors.

But there is no rush to let them into the jungle — examples abound in the rest of the world of the many problems uncontrolled agricultural development can bring.

With the experiences of other tropical countries in mind, the ULG experts and their Brunei co-workers will examine every aspect of agricul-

tural development, including what crops or animals should be grown and the best ways to grow them, which areas should be opened up and which should be left untouched, who should be allowed to open up the land and how to control them, where roads and perhaps new townships and factories should be built, and so on.

An overall plan will emerge as the soil scientists, agronomists, hydrologists, foresters, agriculturists, economists and sociologists each make their suggestions.

The plan's broad outlines should be clear by early next year after which the remaining half of the study will be devoted to working out the details.

The survey will focus on areas in the Tutong and Belait Districts shown by the earlier Hunting survey to hold the most promise for agriculture.

CONGRESS-I DEFEATED IN ANDHRA PRADESH ELECTIONS

Madras THE HINDU in English 29 Aug 81 p 1

[Text] Hyderabad, Aug 28--The Congress(I) has been trounced in the elections to the Vijayawada and Visakhapatnam Municipal Corporations in Andhra Pradesh. A Citizen's Front of opposition parties came to power in Vijayawada Corporation while the Bharatiya Janata Party won the Mayorship in Visakhapatnam with the support of independents.

These were the first civic elections to be contested on a party basis. Elections to the municipalities, panchayat samithis and gram panchayats were held on a non-party basis.

The Communist Party of India won 15 seats, Communist Party (Marxist) nine, Congress(I) seven, Bharatiya Janata Party three, Lok Dal and Janata two each and independents five in the 44 member Vijayawada Corporation. Election in one ward was countermanded following the death of a candidate.

In Visakhapatnam, the Bharatiya Janata Party won 24 seats, Citizens Front 10, Congress(I) eight, Visakha Vigilance Committee and CPI(M) one each and independents six.

The BJP announced that two independents elected were backed by the party and would support BJP.

Anjiah's reactions: Reacting to the election results, the Chief Minister, Mr T Anjiah said the opposition won in the two corporations by resorting to "goondaism, and rowdyism," and obstructing Congress(I) workers from campaigning.

Mr Anjiah said Mrs Sarojini Pulla Reddi, Minister for Municipal Administration, was beaten up by opposition workers during her election campaign in Vijayawada. He rejected the view that this was a negative vote against the ruling party.

The party had lost due to the multiplicity of candidates in the field, dominance of local issues and the smallness of constituency. The Government should review whether it was necessary to have conducted the corporation elections alone on a party basis when Vijayawada and Visakhapatnam were only big sized municipalities.

Surprise: The Congress(I) debacle has taken the party by surprise. A number of Ministers stationed themselves in Vijayawada and Visakhapatnam, organising the campaign, and the Chief Minister had also campaigned in the two towns.

The major issue that helped the Opposition turned out to be the scarcity of kerosene in Visakhapatnam area where women and children stood in long queues to get a litre of the oil. The Government at a later stage diverted kerosene supply to that town but to no avail.

The unity forged by the two communist parties helped the opposition in Vijayawada where the two neighbouring panchayat samithis (Gannavaram and Kankipadu) were won by the two communist parties. The neighbouring Mangalagiri Municipality also elected an opposition front.

The incident referred to by the Chief Minister took place in Marutnagar in Vijayawada. The Minister for Rural Water Supply. Mr Paladugu Venkata Rao's shirt was torn in a confrontation between Congress(I) and Lok Dal workers.

The Lok Dal workers alleged in a police complaint that the Minister had removed a chappal when they questioned him on his propriety in "threatening voters." But the fact that Mrs Sarojini Pulla Reddi who was with Mr Venkata Rao at that time, was seriously injured was revealed only today.

CSO: 4220/7657

REPORTERS INTERVIEW OPPOSITION PARTY LEADERS

Bombay THE TIMES OF INDIA in English 30 Aug 81 Supplement pp 1, 2

[Interviews by Subhash Kirpekar and Kirit Bhaumik: "The Agony of the Opposition"]

[Text] Once again there is talk of opposition unity. But this seems more an expression of despair than of hope. Having failed to win popular support despite the government's far from impressive performance, especially in respect of the steady rise in prices, several opposition leaders have begun to talk in terms of the old familiar solution. However, this does not convince anyone, not even the opposition leaders themselves. Many of them are as apathetic and cynical as the common people. They know the game is up for them. But, unlike old soldiers, they refuse to fade away. Only Mrs Gandhi seems to take them seriously.

Amidst this wreckage of the hopes and aspirations of the opposition, two cadre-based parties--the Bharatiya Janata Party (the former Jana Sangh) with its close ties with the RSS and the CPM--display a measure of confidence in the future. This comes through in the interviews of their spokesmen, Mr L. K. Advani and Mr Ramamurthi. As it happens, the two parties are not breakaways from the Congress, the mother of most other parties in the country.

Perhaps we are approaching the end of an era--the Congress era. Perhaps Mrs Gandhi is the last of the Mohicans holding the fort on the sheer strength of her personality. No one can be sure. Right now we can do no better than let political leaders speak for themselves.

"To Build a National Party, You Require a National Leader."--Pranab Mukherjee

Opposition unity is like a mirage. One reads news reports about some parties trying to forge a front or merge. But these are immediately shot down the next day by someone or the other. To the layman, the opposition seems to be more intent on providing alternatives for each other rather than trying to provide an alternative to the ruling party. The splitting up of opposition parties continues

unabated. Whether it is Mr Chandrajit Yadav forming his very own Lok Sankshipt Dal or Mr Jagjivan Ram his breakaway group from the Congress(I), they create the impression that they want to head their little camps.

It is indeed a curious spectacle to see them continue to fight among themselves. Mr Morarji Desai has no love lost for Mr Charan Singh, Mr Charan Singh does not see eye to eye with Mr Chandra Shekhar; Mr Chandra Shekhar has little in common with Mr H. N. Bahuguna, Mr Bahuguna has even less with Mr Chandrajit Yadav, and Mr Madhu Limaye and Mr Madhu Dandavate have only their first name as a common factor. The list could go on ad infinitum.

Mr Pranab Mukherjee, a member of the Congress(I) parliamentary board and Union minister, has an explanation for the way in which new splinter groups styling themselves as parties are mushrooming.

The Congress party was a fairly heterogeneous mixture accommodating all kinds of political and social groups. It could have Mr Morarji Desai, a staunch rightist, and the late Mr V. K. Krishna Menon, an ardent leftist. If the party took decisions a bit slowly, it was because of the constant process of compromise and cooperation on various issues.

Mr Mukherjee says that if one looks closely at the Janata party leadership, most of the people there belonged for long periods, even decades, to the Congress: Morarji Desai, Charan Singh, Jagjivan Ram, Bahuguna, Mohan Dharma, Chandra Shekhar, Biju Patnaik, and Ravindra Verma. It was only the BJP component in the Janata party that did not have a Congress background. But for the ex-Congressmen, it was not difficult to have common approaches on many issues.

Yet, the inner contradictions and divergence of views over-shadowed common objectives and the common manifesto agreed to by the groups that merged to form the Janata party. And it fell.

Mr Mukherjee does not think that there is any possibility of any party, parties, groups or individuals emerging as an alternative to the Congress. There may be a combination of parties and groups to oppose the ruling party but functionally it will not be effective, as the Janata experiment had shown, even if it receives the mandate of the people. The inner contradictions will emerge instantaneously.

While no alternative is possible at the national level, the scenario at the regional level may be slightly different. Regional parties may emerge as the principal opposition party to the Congress. There are Marxists in two or three states and the B.J.P. in some states, he said.

"To build a national party, you require a national leader," Mr Mukherjee says. Despite her defeat in 1977, Mrs Indira Gandhi could emerge as the national opposition within one year with all the old Congress stalwarts (in the Janata) on one side and she on the other. The opposition will require a leader of her charisma and stature to attract people. "Do they have anyone like her?" is the question that goes abegging.

It is a basic weakness of our parliamentary system that there is no opposition party which could be seriously treated as an alternative to the ruling party. There are historical reasons for it, but the fact remains that there is no opposition, says Mr Mukherjee.

"The Alternative Is Very Much There."--Jagjivan Ram

Mr Jagjivan Ram, who leads the breakaway group from the Congress(U), does not visualise any chances of merger of opposition parties. But he does not think that a charismatic personality is needed to build up the opposition as a strong united force to reckon with. Of course, he says, the mass appeal of a leader does matter in Indian politics. But more important is the change of mood of the people.

"Mrs Gandhi is the only leader of the Congress. She was the only candidate for prime ministership. But in the Janata party, there were so many leaders," he points out.

What Mr Jagjivan Ram looks forward to is a change in the mood of the people. He recalls 1967. Then, there were Congress governments in almost all the states. The opposition was divided and fragmented. So much so that there were almost a dozen opposition candidates in almost every constituency. And yet the Congress was defeated.

"The dissatisfaction of the people and their disenchantment with the political party in power manifested itself in the defeat of that party. Therefore, I feel that 1967 can repeat itself," Mr Ram observed.

Analysing recent events, Mr Ram says that the 1980 elections saw very many fewer voters cast their votes. The number was almost half that of 1977. In his view, what the opposition lacked was the resources to mobilise the support that exists.

The suffering and misery of the people today is much more than in 1967 when they came out to vote on their own against the ruling party, he says.

"The question of an alternative is floated by Mrs Gandhi herself so that everyone will admit there is no alternative to her. My reply to her is: what was the alternative in 1967? So, my point is that the alternative is very much there," Mr Ram said. He adds that in 1967 and in 1977, the election was in fact a people's movement. It was not so in 1980. Indeed, it is a matter for discussion on electoral reforms whether a party enjoying such a small percentage of votes should be allowed to rule at all.

About opposition parties, while Mr Jagjivan Ram does not see a possibility of merger, he says that they can and do cooperate with each other in both the houses of parliament. On various issues, they have all walked out together from the house. This he sees as evidence of cooperation and feels that it can be extended outside parliament as well.

Of course, he feels that any effort for merger will lead to the fate suffered by the Janata party; it will break. This is because all parties do not have identical objectives and political programmes. So it was better to have a common programme and cooperate on specific issues. During elections they may have adjustment of seats and try to field only one opposition candidate in each constituency. Where the Janata party experiment failed was that instead of trying to function as a coalition, it tried to function as one single party which it was not.

"Unity Does Not Mean a Conglomeration of Political Parties."--Chandra Shekhar

Who can deny that the opposition today is divided? But who is responsible for this? One has only to see how leaders of the political parties are behaving. Clearly, they have not learnt anything from the past. They suffer from the same limitations as before. The most serious of these is their extreme egotism, their erroneous notion that they are "somebody" when they are really "nobody."

The fact is that most of the leaders of the political parties have outlived their utility. They are unable to meet the challenge of the times. It is most unfortunate that, while most of the political parties talk of democracy and condemn the ruling party for authoritarianism, they themselves have not imbibed the spirit of democracy.

Most of the leaders of the opposition parties suffer from old prejudices. These parties seldom realise that they have to play a consistent role in politics, taking a long-term view of things. Most of them rely on short-term expedient measures. That is the basic cause of division in the ranks of the opposition.

One glaring example is the role played by the leftist parties at the time of the Janata crisis of 1979 when led to the fall of the government of Mr Morarji Desai. At that time they had explained their action as being a historic necessity. But it was action dictated by expediency and they soon realised this.

Many people say that the Janata experiment failed. In the opinion of the Janata party, it was not the experiment that failed but the leaders who were responsible for running the show. They failed to overcome their limitations, which was the need of the hour.

But one need not take a dim view of the future. If the leaders have failed to change with the times, there are many people who realise that they have a stake in the future. Objective conditions are being created for unity among the opposition. One basic fact which has to be borne in mind is that unity does not mean a conglomeration of political leaders.

Unity of the opposition is of course essential. But there should be realisation on the part of the political parties that this unity should be directed towards solving the problems of the people to their satisfaction. The leaders of the various parties however do not seem to have sufficient realisation of this need.

The problems are getting complicated and so there is need for a clear vision as to what needs to be done and clear action. There must be mobilisation of the

people behind the programmes and identification of the masses with them. The struggle for their rights will provide new strength to the opposition forces.

The opposition parties must look to the future and take a long-range view of the situation. That is the answer to the present problems.

"The Need of the Hour Is Opposition Credibility."--L. K. Advani

Opposition summitry cannot take the country very far.

Lately, there have been moves for recombining forces on the Janata pattern. But it is strange that those who were in 1979 the most enthusiastic in wanting to break the Janata, and who actually welcomed the disintegration of the Janata as a historic necessity, now seem to be keen to undo their own "historic" accomplishment.

There are no shortcuts. If some people keep talking and repeating about the Janata experiment, they are being prompted by a sense of weakness.

The Janata experiment was tried in the most propitious circumstances conceivable with a selfless leader like Jayaprakash Narayan there to guide and enthuse all the opposition parties which had combined on the Janata platform.

With the incarceration of 1.5 lakh opposition activists and the enormous fund of public goodwill, Janata unity had the best chance of enduring. But the Janata broke. It floundered on the rocks of personal ambition and individual and group distrust.

The personal ambitions and group distrust remain as before, but the propitious circumstances are no longer there.

The splintering of the opposition and the emergence of several opposition parties by itself need not be the cause for disappointment. Barring the period between 1977 and 1980, Indian politics had always had a number of opposition parties. But between 1979 and 1981 the behaviour of several opposition parties and leaders has been so thoroughly opportunistic that the common man has come to feel cynical about the opposition parties.

In the view of the Bharatiya Janata Party the real issue is not opposition unity. The need of the hour is opposition credibility.

To give an example, the split in the Communist movement has been there now for two decades. The two Communist parties have been supporting each other in certain spheres and at the same time continuing their separate existence. There have been efforts at coming together. There has been concerted action on several issues. Over a period of time, the C.P.M. and the C.P.I. have come to acquire a credibility in certain areas which makes efforts at unity irrelevant and meaningless.

The non-Communist opposition parties also should have a similar approach. Let the people choose the party they can trust and in the meanwhile let these opposition parties act in concert on issues of common interest.

One of the biggest drawbacks of the Janata era was that political activities came to be confined to the government and the legislatures. Political organisations were totally neglected. Ever since the B.J.P. was formed in 1980 it has been concentrating on activity at the grassroots level. The party will continue in that direction.

"The Crux of the Matter Is Personality Adjustment."--Madhu Limaye

Opposition unity is not a dream. It is an absolute necessity. Without opposition unity the prospects of survival of democracy and economic progress are bleak.

But there is no use in having common action programmes with opposition parties. What is needed first is political unity. This will give strength to joint action.

I am of the view that all those who can sit together from among the opposition parties should do so to create the environment for greater opposition unity. Even a wider acceptance is possible because I know that at one time, the C.P.M. (in West Bengal) was prepared to go along with the united Janata party manifesto on the basis of commonality.

But the crux of the matter is personality adjustment. If Mrs Indira Gandhi could adjust with Mr Y. B. Chavan and Mr Jagjivan Ram for ten long years--where do they have mutual trust?--why cannot others? There will have to be adjustments, despite all the difficulties inherent in it. Neither Mr Morarji Desai nor Mr Charan Singh or anyone else will retire from politics.

Between 1974-77, one saw a polarisation of forces opposed to Mrs Gandhi on one side and she on the other. So long as the social and communal polarisation does not get converted into political polarisation, it will not be of much help.

Though there has been a disintegration of opposition parties, the document of the undivided Janata party, that is its election manifesto, it is still acceptable to all with perhaps some minor modifications. So it is clear that we do not have to start from scratch.

There has to be a reconciliation of various social groups and curbing of group rivalries. One of the main achievements of the Janata party when in power was to instal leaders from socially oppressed and economically backward communities into positions of power--like the chief ministers of U.P., Bihar, Rajasthan, and Orissa. There is no reason why these groups cannot get a share in power for all round socio-economic progress.

About reports of the possible merger of some opposition parties, I might say that though Mr Devraj Urs favours the formation of one single party, he says his party is not prepared for it. Mr Chandrashekhar also favours such a development but faces the problem of securing a majority for this view in his party. In this situation, to what extent unity is possible is to be seen. In the B.J.P. the political people like Mr Atal Bihari Vajpayee also support unity but the R.S.S., I am told, is not interested in any such development.

"Factionalism Is Confined to the Bourgeois Parties."--P. Ramamurthi

"Out of the ruins of the old will rise the new."

In projecting an optimistic view of the future, Mr Ramamurthi remains a true Marxist. How can a new leadership emerge without the disappearance of the moth-eaten leadership of the present? There is nothing surprising in the fact that the opposition today is ridden with factions. What else, alas, could have been expected. It is however to be noted that the factionalism is confined to the "bourgeois parties." Some of the leaders of these parties have become so accustomed to ministerial office since independence that they find it difficult to sit in the opposition.

But that is no reason to lose heart. Despite the dismal picture that the opposition presents today, a sufficiently large number of people in all these parties are "awakening." They are realising more and more the need for mobilising the people on specific issues effectively. And because of the dilapidated state of the bourgeois parties these people are realising that such a broad mobilisation can be brought only in cooperation with the left groups.

In this realisation lie the seeds of a new future. It has set in motion a process which will lead to the emergence of a common alternative programme based on alternative policies. It will by no means be a programme thrashed out by means of a makeshift arrangement entered into by leaders of the political parties. It will be a "left and democratic" alternative programme.

Mr Ramamurthi is convinced that only the emergence of a left and democratic alternative can meet the needs of the emerging situation. It will be a cohesive alternative because the programme will be formed out of the common struggle of the people themselves.

One can already see the first signs of the emergence of such an alternative. The Bombay convention of trade unions displayed an awareness that the workers have to play a leading role in shaping the alternative programme. The convention was concerned not with the immediate gains of the working class but with long-term objectives affecting the interests of all the struggling people. The issues considered by the convention were the causes of the spiralling prices, the basic economic policies of the government which were heavily weighted in favour of the monopoly houses and multinationals. The convention was no less concerned about the Prime Minister's attacks on the democratic rights of the people. There was only one resolution on minimum wages.

Similar conventions will be held in all the states. They will lay the foundation for unity among those elements in the opposition parties who are getting disillusioned with the splitting activities of their leaders.

"There Are Very Bleak Chances of Opposition Unity."--H. N. Bahuguna

Political parties grow out of basic ideological orientation and not out of exigencies. It has been my consistent view that an alternative can grow only on its basic soil which is a clear-cut social, economic and political philosophy.

One hears talk about opposition parties agreeing on a common minimum programme. Though some people will accuse me of siding with Mrs Indira Gandhi, I will ask the opposition to search its soul rather than blame the ruling party or any other factor. The ruling party has established one thing--that it cannot deliver the goods. I do not think it can do so unless the "middle-man culture" is eliminated. Has a single step been taken to end this evil?

By its very nature, the Janata party was meant to be a temporary phase. It was a cure for a fever raging in the country; when the fever died down, the cure was not required.

If one were to recall how its leadership was chosen, one finds that unfortunately the "floor" mortgaged its decisionmaking power to three men on the "dais."

Today, in the efforts of some parties to forge unity, one again sees the spectacle of office being distributed while not in power. Mr A will become party president, Mr B will lead the parliamentary party, and Mr C will be chairman of the party's parliamentary board. This is a peculiar phenomenon.

I think there are very bleak chances of opposition unity. There is too much rancour and jealousy. If unity is likely to be a transplant operation, then the body politic of the opposition will reject this "foreign body." But you will see a sea change in politics in one year. The slide-down because of I.M.F. conditions will take the country down the precipice, down the point of no return. Then the opposition will have a significant role to play.

"We Need Programmatic Unity, If Not Ideological Unity."--K. P. Unnikrishnan

In the sense that the opposition parties are in disarray or are going through a process of fragmentation and also in the sense that they are organisationally and nationally ill-equipped to face an electoral challenge from the ruling party, I would accept the statement that the future of the opposition seems bleak and dismal. But to my mind, the challenge itself presents an opportunity and the opposition parties must respond to this challenge in a constructive and creative manner. Opposition parties cannot be built up on a negative basis of blind opposition to an individual or to a ruling party. It has to present itself before the people and the electorate, a clear-cut programme and an alternative framework of policies. This is also not to suggest that there cannot be areas of agreement or of common approach to certain questions, for example, national security and international relations.

Unless the party has an appeal to the millions of impoverished and has a programme to transform the society and economy, it cannot develop into a national alternative. Within this framework of Congress, Jana Sangh and Swatantra and a few regional parties like D.M.K. and A.D.M.K. and Akali Dal, the Indian polity remained stagnant for 30 years till 1977. The events of 1975-1977 compelled the Jana Sangh, the Congress-I, the BLD and Socialist groups to forget their basic and fundamental differences (leaving aside problems of temperament and personal equations) and enabled them to give an electoral alternative to the Congress in the northern states and be in a majority.

Even so, the Janata Party never acquired a true national status in the sense that it was very thinly spread in the East, North-East and South, except probably Karnataka. This experiment proved to be disastrous in the sense that very soon the party was showing up unbridgeable differences of its constituents and the conglomerate broke up.

It is for historians to answer whether it could have been overcome or avoided; but the failure of the Janata is full of lessons for all those who seek short-cuts or summit methods of merger and unity. This is essentially an approach to share power. Politics everywhere is a search for power. Since there is no underlying coherence and commitment to a programme, it is bound to fall apart.

So, the question of fundamental importance is, whether the people now dispersed in smaller parties like the Congress, Lok Dal, Janata party and DSP, Janvadi etc., can work out a basic approach and programme. Any effort to paper over itself would be of no avail and it would only produce a carbon copy of the Janata experiment.

So, the opposition unity which looks desirable from a common man's point of view, would, at the moment, have to be restricted to coordination on the floor of parliament and legislatures and electoral adjustments and so on. Any other effort should necessarily take time and first the leadership of the parties should themselves do serious introspection and find areas of agreement.

What the nation needs is a national alternative and not a conglomerate of desperate groups pretending that they are an alternative. A national alternative should be coherent and should present a programmatic unity, if not ideological unity. And the question before us is whether the nation wants this. And if the nation wants this, on the compelling issuances significance, we should appear to have a clear-cut framework of policies and programmes.

As for us in the Congress, we are committed to the basic approach and framework of democracy, secularism and socialism and the policy of non-alignment and peace. It was on the imposition of a dynastic element that we disagreed with Mrs Gandhi.

"Authoritarianism Is at Work in Every Political Party."--Y. B. Chavan

I am not in the opposition now. But I was in the opposition for four years. The major difficulty is that it is getting fragmented. I left it for my own reasons, because of being a Congressman. The party I was in had absolutely no base, both programmatically and otherwise.

I see a bleak future for the opposition, mainly because it is based on loyalties to certain personalities who will criticise authoritarian trends but in whose organisations it is at work. In fact, authoritarianism is at work in every political party as far as the inside working is concerned.

The multiplicity of the opposition parties is another weakness of the opposition. Except for the Communists, the rest try to come together near election time.

But I don't think they have any chance of succeeding. The people have experimented once and there is no question of repeating the mistake.

The present opposition is enough to provide a balance in a democratic framework. But it is not enough to provide a viable alternative potential government.

CSO: 4220/7660

RAO REPORTS TO PRESS ON CPI COUNCIL MEETING

Bombay THE TIMES OF INDIA in English 30 Aug 81 p 9

[Text] New Delhi, August 29--The CPI national council feels that Mrs Indira Gandhi's government is not playing a "proper role" in world affairs by refusing to "expose the nefarious role of the U.S. warmongers in dragging the world to the brink of a nuclear catastrophe."

The party is disappointed that Mrs Gandhi continues to talk of super power rivalry in the Indian Ocean region and is not trying to see who are provoking regional conflicts and "hatching conspiracies against the progressive regimes in the developing countries."

The party general secretary, Mr Rajeswara Rao, spelling out the national council's decisions at a press conference here this afternoon, did not try to conceal his party's growing disillusionment with the government's foreign policy.

He said the government "does not see the fight for the security of the country as part and parcel of the fight against the reactionary global policy of imperialists and their allies."

The party sees vacillations in Mrs Gandhi's policies "because of its very heavy dependence on the imperialist financial agencies like the World Bank, the IMF and the multinational companies."

It adds: "Such massive dependence for aid creates the danger of weakening the anti-imperialist aspects of our foreign policy."

Mr Rao also did not give any indications that the party has in any way mellowed its criticism of Mrs Gandhi's internal policies.

According to him, the Prime Minister is continuing to pursue "antipeople and anti-democratic policies in trying to protect the crisis-ridden socio-economic set-up of our country."

The party remains as uncompromising as before in its opposition to the Bharatiya Janata Party as a "reactionary and communal organisation." According to Mr Rao, the big business and monopolists are trying to build up the BJP as an alternative to the Congress(I) "and if this process continues, Mr A. B. Vajpayee will be our next prime minister."

The CPI sees a left and democratic unity, forged on the basis of united mass struggles at all levels, as the only way for countering the anti-people policies of Mrs Gandhi and preventing the BJP emerging as a possible right alternative.

Mr Rao said it was not correct that the CPI and the CPM were moving apart. They were working together in almost all states. "The BJP issue is not standing in the way."

A.P. Results

Mr Rao illustrated both the hopeful and negative aspects of the present situation by pointing to the results of municipal elections in two important Andhra towns. In Vijayawada, the CPI and the CPM had jointly gained a majority, while in Visakhapatnam, the BJP emerged as the largest party.

Yet, Mr Rao felt that the CPM was not coming forward wholeheartedly for a pure left and democratic unity "and the left is losing a chance." The Marxists probably thought that the time was not yet ripe. "The CPM presumably thinks that Mrs Gandhi's authoritarianism is still the biggest danger," he said.

Mr Rao indicated another hurdle. He said, "the left democratic unity we envisage is not simply for fighting against the anti-people and anti-democratic policies of the Congress(I), but also to fight the imperialist warmongers and their allies (China), who are endangering world peace and the security of our own country."

UNI adds: The party decided to set up two memorials in honour of Mr Bhupesh Gupta.

The party would construct a memorial building in Calcutta and a national memorial in Delhi in consultation with other party leaders and friends of Mr Gupta.

CSO: 4220/7660

RAO: NATION CONCERNED AT SHIFT IN U.S. ARMS POLICY

Calcutta THE STATESMAN in English 29 Aug 81 p 9

[Text] New Delhi, Aug 28--The Government of India is "seriously concerned" over the shift in the U.S. arms sale policy and will take steps to protect the security and territorial integrity of the country, Mr P. V. Narasimha Rao, Minister for External Affairs, told the Rajya Sabha today during question hour.

Expressing India's concern over the shift in the arms policy by the Reagan Administration the Minister said in reply to a supplementary that it did not make any specific mention of human rights consideration. The Reagan Administration had given a go-by to the Carter Administration's policy which had human rights as its basis.

According to Mr Narasimha Rao, it was the stated view of the U.S. Administration that to retain maximum flexibility in terms of protecting American interests, their policy for "this area" should not be subjected to any limitations. He agreed with Mr Ladli Mohan Nigam (LD) that the new U.S. arms policy would escalate the arms build-up and tension in this region.

Replying to Mr Nigam's supplementary on whether India was a friend or a foe of the USA, the Minister said there was no schedule of the U.S. Administration which gave the list of its "friends and foes." However, it was New Delhi's view that its relations with Washington were good and "could be improved still further."

Mr Rao told Mr N. N. Pandey (C-I) that the U.S. arms supply was a part of its global strategy and was not centred on any particular area. It would not be proper to connect U.S. arms supplies to the Reagan Administrations' refusal to supply uranium to India for its Tarapur plant.

The supply of uranium was under a specific contract and for peaceful purposes. "If we connect this with U.S. arms supplies to Pakistan even unwittingly, we will be doing something wrong," he told Mr Dinesh Goswami (Ind).

The Government of India had consistently upheld the crucial role of disarmament in bringing about a greater measure of peace and security in the world, he told Mr J. K. Jain (C-I) and others.

The Government could not but express its serious concern over an arms sale policy which might lead to a "quantitative and qualitative" increase in the availability of arms in various parts of the world. The Government had "noted" that the U.S. Administration had while announcing its new arms sales policy, indicated that this should not be seen as heralding a period of "unrestrained military transfers." The USA had also stated its interests in exercising restraint in arms transfers and willingness to consider specific proposals directed towards this end.

India would welcome any step by any super Power like the USA or the Soviet Union to ease tensions when they proposed to meet at a summit meeting at the time of the U.N. General Assembly session, Mr Rao told Mr M. Kalyansundaram (CPI).

PTI adds: Mr Narasimha Rao replied in the negative when asked whether the U.S. Under-Secretary for Security Affairs, Mr James Buckley, had advised Pakistan to knock out India's nuclear installation at Trombay near Bombay with the F-16 fighter bombers.

Amarjit Kaur and Mr Ramanan Yadav asked the Minister whether the Government had any information to this effect through a friendly country. The members wanted to know whether Mr Buckley had told Pakistan to take the cue from Israel and knock out the Trombay installation with the F-16 fighters recently handed over by the USA, Mr Narasimha Rao said in a written reply to Mr G. S. Bhattacharya and Mr N.K.P. Salve.

CSO: 4220/7655

COMMENTATOR WRITES ON MALAISE IN PARTY SYSTEM

Madras THE HINDU in English 31 Aug 81 p 8

[Commentary by K. K. Katyal: "Malaise in Our Party System"]

[Text] The distortions have been accentuated over the years with the number of political parties increasing. Behind the veneer of ideology, personal contradictions come to play.

Not that a reminder was needed but the developments in the Congress(U)--or the party with the changed suffix or a new name it may adopt soon--have underlined once again the critical position the political system finds itself in. There would have been no cause for worry had the confusion and uncertainties been confined to this organisation. As things are, neither the other Opposition groups nor the ruling party are free from serious infirmities.

Some generalisations are possible as regards the state of the parties of varying hues and complexions. First, personalities, rather than ideologies, are their mainstay and this introduces distortions, similar in nature, in their working. The two communist parties, and the BJP to some extent, are exceptions to this.

Secondly, the dominance of one party contrasts sharply with the small size of other groups. This is a far cry from the scenario in other countries practising parliamentary democracy, where at least two parties are almost equally balanced.

Thirdly, parties have tended to proliferate and not to integrate. The Janata experiment promised a reversal of this trend but its failure in less than three years dashed the earlier hopes.

It is surprising, indeed, that there should have been no conscious attempts in the last 34 years to reform the system or that it should have lacked the innate strength to overcome obvious imperfections and deficiencies. There were departures from the set pattern but either because of natural factors (the death of Lal Bahadur Shastri, for instance) or because of man-made situations (the collapse of the Janata Party and subsequent developments), it did not take long for the party working to fall in the old stereotype.

Predominance of Personality

In the first 17 years after Independence, Nehru dominated both the party and the Government, leading the late S. K. Patil to complain that the "banyan tree" does not let anything grow beneath it. Whether it was the logical extension of the pre-1947 processes or the ethos of the Indian people is another question which, of course, does not have a simple answer.

The Shastri era was too brief to indicate any trend but the emergence of Mrs Gandhi, with supreme control of the party machine and the Government, both in the previous and the present tenure, re-established the predominance of "personality" in the ruling party. During the later part of the Janata regime, the Congress(I), the main Opposition party, too was sustained by Mrs. Gandhi, to the exclusion of other factors.

The dominance of personalities was evident in the Janata in-fighting and the party came to grief, not because it could not evolve a coherent ideology but because leaders of the various constituents and factions were unwilling to subordinate their respective ambitions to common or shared objectives. The Janata Party split because Mr Charan Singh and his rivals failed to avert a clash of personalities.

Other instances of the personality-based phenomenon are the total reliance of the Lok Dal on Mr Charan Singh. The exit of Mr Jagjivan Ram, first from the Janata Party, then from the Congress(U) to form a party that revolves around him, the failure of Mr H. N. Bahuguna and Mr Chandrajit Yadav to remain in the parties they had joined at various stages. So much for the relative importance of ideology and personality.

No Freak Development

Barring to short spells, the Congress or the Congress(I) remained the dominant party at the Centre and in most States and the next group or groups were disproportionately small. This was no freak development. It was understandable for the Congress to hold sway for a while after Independence because of the momentum acquired in the fight against the alien rule but for it to remain dominance for nearly three decades must be due to factors which are not that transitory.

During the Nehru days none of the Opposition groups--the PSP, the Socialist Party, the SSP, the Jan Sangh, the Communists--was anywhere near the Congress whether in regard to the number of seats in the Lok Sabha, or the votes polled by them severally, or at the all-India level. Under Mrs Gandhi, too, the Congress as the ruling party retained that pre-eminent status, the two exceptions were the period after the 1967 elections when the party was ousted from power in the North Indian States, and after the 1969 split, when it had to rely on the CPI support in the Lok Sabha for arithmetical majority. The present position is not unrepresentative of the trend that prevailed in the past.

This lopsidedness corrected itself in 1977, when the Opposition (the Congress in the reversed role) had a sizable strength in the Lower House, and of course outnumbered the then ruling party in the Rajya Sabha. In free India's parliamentary history there was a recognised Leader of the Opposition for the first time. It was the closest approximation to the two-party system, as it is known in some western countries.

The number of political parties has continued to increase though one should have expected things to move the other way because of the continued political education with the passage of time. There is hardly any party of consequence which did not split--the Congress, Communists, the Janata among the major national parties, the Muslim League and the Republican Party among the smaller groups and the Akali Dal, the DMK, the Kerala Congress, among the regional organisations.

Disintegration of Janata

After the 1977 elections, the then Prime Minister, Mr Morarji Desai, often lauded the emergence of the Janata Party because it marked a process of political consolidation. This, alas, proved a temporary affair and soon reversed with a vengeance. When the Janata disintegrated there was no stopping the process and the once mighty ruling party splintered into four groups apart from the organisations set up by one or two of its erstwhile leaders.

The fragmentation was the result of both ideological factors, as in the case of the communists or the emergence of the BJP, and personal contradictions as in most other cases. But those involved in splits invariably invoked ideological factors to justify their behaviour.

What happened in the Congress(U) is true to the pattern which we have the dubious distinction of having perfected over the years. This teeny-weeny party could ill-afford wrangles at any level but its top leaders quarrelled, with no holds barred, in full public gaze on issues that were hardly related to ideology. The tussle could as well have taken a different turn, with Mr Jagjivan Ram emerging at the top. In that case, Mr Sharad Pawar perhaps would have followed his mentor, Mr Y. B. Chavan, his heart set on entry into the Congress(I).

Not Edifying

The goings-on in the Congress(I) are not edifying either. The total reliance on Mrs Gandhi is no "democratic centralism" as some party seniors say. It shows the incapacity of party organs at the Centre and in the States to take decisions, their inability to sort out day-to-day trivial problems.

This is best illustrated by the working of the AICC(I) headquarters. Each of the six General Secretaries is "in charge" of the affairs of two or three States, but none of them has a major say in crucial matters whether relating to the working of the organisation or the party-led Governments in their areas. Even if they do not get involved in factional politics their only value is as conduits of information from "their States" to Mrs Gandhi or whosoever she may ask to act on her behalf.

It required a reprimand by Mrs Gandhi for the Punjab Chief Minister, Mr Darbara Singh, to give up the party post. It was a stern warning by her that silenced dissidents in Madhya Pradesh. Those in U.P. who wanted the Chief Minister, Mr V. P. Singh, to be replaced by a "member of the Nehru family" were threatened with disciplinary action because she took exception to their antics. The Maharashtra Chief Minister, Mr A. R. Antulay, could not reshuffle his Cabinet because he failed to get her approval. The decisions on party squabbles in West Bengal were delayed because of her other pre-occupations.

To say this is not to question the soundness of her decisions but to underscore the inertia at other levels. Among the many distortions that flow from this situation, is the lack of commitment by party members to policies, programmes or ideology.

The consequences of the malaise in the party system are many, the most dangerous being the overall permissiveness. It takes many forms--defections and floor-crossing, vulnerability of political institutions to the money power. That all this should have been taken for granted is particularly disturbing.

CSO: 4220/7669

CPI RESOLUTION GIVES PLAN FOR FAIR ELECTIONS

New Delhi PATRIOT in English 28 Aug 81 pp 1, 7

[Text] The Communist Party of India has proposed replacement of the present electoral system by proportional representation based on the list system.

Such a system can eliminate the evils of communal, regional and caste politics, a resolution adopted by the national council of the party said. The resolution proposed a 15-point programme envisaging sweeping changes in the present system to make it 'more representative, democratic and effective.'

Releasing the document, CPI central executive member Homi Daji, pointed out these were only preliminary suggestions. The idea was to have a national debate on the much-needed electoral reforms, he explained to newsmen in New Delhi on Thursday.

The resolution said the list system could also incorporate the existing reservations for the Scheduled Castes and Tribes. This will eliminate the anomaly of minority governments ruling over the majority and will automatically curb defections. As an additional safeguard the document suggested forfeiture of the membership of a legislator if he defects from his party.

It has also suggested replacement of the present one-man Election Commission by a five-member and truly independent body. It objected to the appointment of retired Government officers to the post.

Similar commission should function in the States as well, but under the control of the Central Commission. All officials engaged in election work should be under the disciplinary jurisdiction of the Central Election Commission and the State and Central Governments should be bound to implement its orders.

The document suggested capturing of booths should be made a cognizable offence, non-bailable and punishable by imprisonment.

Other suggestion to make the polling free and fair include automatic withholding of counting for special scrutiny where polling was more than 90 per cent, withdrawal of licences for firearms, reduction of time-lag between voting and counting, and permission for the candidates' agents to accompany the ballot boxes.

Another important suggestion is to take away the Government's powers to dissolve State Assemblies without the advice of the Council of Ministers as in the case of the Lok Sabha. Also, an all-party advisory committee should be associated with the work of the Election Commission.

To curb money power in the elections, the document suggested that a substantial part of the candidates' election expenses should be borne by the Government in the form of free publicity material, postage, voters' identity slips and electoral roles, vehicles and fuel. All the expenses by candidates should be strictly put under the purview of the limit placed on the total permissible expenditure.

With a view to checking the misuse of official machinery, the document suggested ban on use of official facilities by the Ministers, bar on their broadcasts and TV appearances and announcement of new schemes of socio-economic programmes. Persons found guilty of economic offences like blackmarketing and hoarding should be disqualified from seeking election.

Other suggestions are the introduction of identity cards to voters with photograph, powers of summary inquiry and intervention for the Election Commission and increase in the numerical strength of the Lok Sabha.

Resolutions

The national council, through another resolution, demanded stringent action against those responsible for the police brutalities and vandalism at the Chandigarh office of the party on Wednesday.

The council, now meeting in New Delhi, also demanded immediate release of all those arrested in the incident and compensation for the damage. It said about 35 workers were injured in the police brutality.

In another resolution, the council denounced the US decision to produce neutron bomb and said the Chinese rulers had shamelessly welcomed the decision. Dismissing the assurance that the bombs would not be stored outside the US territory, the resolution said the US could intimidate its European allies to get consent for the bombs' deployment on their soil.

It appealed to the Government of India to join the socialist, and non-aligned countries to rally against the US policy.

The council also expressed anxiety over the problem faced by people of Indian origin in Sri Lanka and called upon the Government to take steps to protect them.

CSO: 4220/7652

JANATA WELCOMES PAWAR'S POLICY OF COOPERATION

Bombay THE TIMES OF INDIA in English 30 Aug 81 p 6

[Text] Bombay, August 29--The general secretary of the Janata party, Mr S. Shahabuddin, today welcomed the statement of the provisional president of the Congress(S), Mr Sharad Pawar, that his organisation would cooperate with like-minded parties on common issues.

He told a news conference here that Mr Pawar's election as the party chief would inject new life into the Congress(S) and infuse a sense of dynamism in its new leadership.

Turning to the collection of funds by the chief minister, Mr A. R. Antulay, on behalf of the Indira Pratibha Pratisthan, he said an explanation should be called for from people connected with cooperative sugar factories which had contributed to the Pratisthan.

"Open Graft"

Mr G. P. Pradhan, opposition Janata leader in the Maharashtra legislative council, called for the establishment of an all-party inquiry panel of MLAs to probe the question of fund collection undertaken on behalf of the Pratisthan.

The vice-president of the Maharashtra Janata party, Mr Anna Patil, said such collection of funds would give official sanction to corruption and observed that graft was now being practised openly.

Mr Shahabuddin had arrived in the city on a two-day visit, during the course of which he attended a Haj committee meeting this afternoon. He will leave for Jaipur tomorrow morning.

CSO: 4220/7660

FINANCE MINISTER DEEMED OPTIMISTIC ON ECONOMY

Madras THE HINDU in English 28 Aug 81 p 1

[Text] New Delhi, Aug 27. The Union Finance Minister, Mr R. Venkataraman, today not only defended the import of sugar and wheat but also said that import was part of the medium-term strategy of the Government to hold the price line.

Mr Venkataraman, who was replying to a discussion in the Rajya Sabha on the price situation, said the Government policy was to use imports for building buffer stocks and augmenting supplies of essential articles.

The long-term strategy was to achieve self-reliance, as distinct from self-sufficiency, by concentrating on production of goods in which the country had a competitive advantage and importing other commodities, by exporting them. "We do not propose to adopt the policy of self-sufficiency in the sense of producing everything," he added.

During the discussion, Opposition members attributed the price spiral to Government's economic policy and inefficient management of economy. People would hardly draw any comfort from the view often expressed by the Government that inflation was a global phenomenon. The Government was hesitant to take strong action against hoarders and blackmarketers and instead sought to tackle the problem by importing wheat, sugar and edible oils, they said.

The discussion was initiated by Mr Venkataraman himself with a note of optimism. "I can give a message of cheer and hope" he said, referring to recent trends towards increased production and improvement in the infrastructure sector. He felt that when the anti-inflation package matured, the situation would be brought under control.

Asked by a member how long this would take, he said he was not a prophet but added that if the present trend continued, prices would show a greater degree of deceleration.

He denied having said that inflation had been controlled. He had only claimed that the pressure was moderated. In support of this, he said, the inflation rate which was 22.2 per cent in 1979, was reduced to 14.8 per cent in 1980 and to 10.3 per cent during the first eight months of 1981. To that extent, the Government endeavour had been successful, he said.

Inflation was "imported" in the sense that the prices of imported commodities were high due to inflation in the countries from which they were got. Large liquidity in economy--both legal and illegal--accentuated the pressure on prices, he said.

Not a controlled economy: Replying to the discussions, Mr Venkataraman referred to the CPI member, Mr M. Kalyanasundaram's criticism of the ideology of the ruling party. While agreeing that in a "totally controlled economy" it was possible to hold the price line, he said the Government could not adopt it because people had rejected it in favour of the "market economy."

In market economy, the solution lay in increasing the supply of essential commodities and already steps in this direction had been taken.

Apart from this the public distribution system had been strengthened. The number of fair price shops had risen from 2.36 lakhs in January 1980 to 2.75 lakhs in December 1980 and to 2.9 lakhs in August 1981. He said Kerala, West Bengal, Tamil Nadu and Maharashtra had been very efficient in implementing the public distribution scheme. The attempt to strengthen the system was constantly before the Government.

Janata mistake: He agreed that supply of essential commodities should be augmented by increased production instead of relying on imports. But he justified the import of sugar.

The Janata Government, he said, had failed to build a buffer stock when sugar production was high and gave up the dual pricing system. The result was a crash in prices and consequent fall in production of cane in the following year.

"This Government will not commit that mistake. We will create a buffer stock of sugar if there is large production," he added.

He said in the case of essential commodities it was necessary to have the dual pricing policy in order that the needs of vulnerable sections could be met at fair prices and those who were better off could purchase their extra needs at higher prices. This was the policy which the present Government followed, he added.

Mr Venkataraman disputed the contention that the recent increase in oil prices amounted to taxation, prices of commodities would have to be based on the cost of production and the consumer had to pay for that. Otherwise, it would have to be subsidised and this in turn would result in budgetary deficit and consequent inflation.

In this context, he recalled that when he presented the budget for 1980-81 his critics had said that the budgetary deficit would rise to Rs 4000 crores but actually the deficit was only Rs 1975 crores. During this year too there were predictions that the deficit would be high. But he would disclose the real position when he presented the budget, he said and added after a pause: "If at all I present the budget."

NATION OFFERS TO SHARE TECHNOLOGY WITH THIRD WORLD

New Delhi PATRIOT in English 28 Aug 81 p 3

[Text] Pyongyang, Aug 27 (PTI)--India today offered its experience in the wide-ranging fields of agriculture, including advanced technology on various aspects of crop production and consultancy assistance and even aid on bilateral or regional basis to other developing countries.

The offer was made by the Indian Delegation leader, Dr R. M. Acharya, Deputy Director General of the ICAR, to the six-day symposium of nonaligned and other developing countries for increasing food and agricultural production, which opened here yesterday.

Detailing areas of cooperation, Dr Acharya said the ICAR could collaborate in high yielding varieties programme of rice and other cereals, pest and disease, forecasting and control measures and weather and climatic studies on a regional basis.

The areas of cooperation listed by Dr Acharya were inland fisheries, training programmes in agricultural research and education, animal production programmes, establishment of agricultural universities and grain legumes production and research.

The theme of the symposium is "Food Self-Sufficiency." It is being attended by over 80 nonaligned and developing countries and 15 international organisations.

Dr Acharya said, India would also contribute towards economic cooperation and self-reliance among developing countries by offering training to a small number of technicians at its institutions.

It was willing to share with other developing nations its know-how in testing agricultural machinery and assist and advise them in setting up their own training and testing establishments in the field of agricultural machinery.

In the field of food management, India's offer was open to other developing countries in building up and operating food reserves, construction of storage space and designing of overall food policies suited to particular nation's requirements, Dr Acharya said.

NAXALBARI LEADER BRIEFS PRESS ON KERALA TOUR

New Delhi PATRIOT in English 1 Sep 81 p 4

[Text] Trivandrum, Aug 31--Kanu Sanyal, originator of the Naxalbari movement along with Charu Majumdar, said here that Communist revolutionaries of his way of thinking were not adverse to make common cause with parties from the Left like the CPI and CPM and from the right like the BJP in the fight against what he called authoritarianism of Mrs Gandhi and her government.

He was briefing the press on the outcome of his second tour of Kerala during past two weeks to bring different extremist groups under the Organising Committee of Communist Revolutionaries which he headed at the national level. The present mission was a follow up of the one he undertook last May. According to him, contacts established with various groups had been useful. Mr Sanyal made particular mention of the talks he had with the daughter of late Kunnikkal Marayanan who was the pioneer of the Naxalites in Kerala. Miss Ajitha and her mother Mandakini and also of the Communist bolshevik party of Kerala decision to merge with the OCCR. The Bolshevik party led by the veteran revolutionary Gopalan is claimed to be the only extremist group in the State having a substantial trade union base among industrial and plantation workers.

Mr Sanyal said the OCCR was able to establish successful contacts with Communist revolutionary groups in Bihar, Andhra, Karnataka and of course West Bengal.

It may be mentioned here that Mr Sanyal's efforts to reunify desperate Naxalite groups were flayed by CPI-ML group, owing allegiance to Charu Majumdar. This group is by far the most vocal in Kerala. Mr Sanyal has betrayed the Naxalbari movement, its leader Venugopal had charged. Mr Sanyal, while strongly refuting the suggestion that all extremist groups toed the Chinese party's general line, was frank enough to admit that the OCCR at least had no international position independent of the Chinese. This was because the OCCR considered China socialist country where it took the Soviet Union as "social imperialist" which is that "they professed socialism but practised imperialism."

Explaining what he thought about the communist parties, Mr Sanyal said the CPM was wholly 'revisionist' while the CPI remained a 'total Soviet lackey' when pointed out whether by the same token, could not the OCCR and other Naxalite groups be called Chinese lackeys, Mr Sanyal said here was a difference. The

OCCR support to China was 'selective' whereas the CPI support to the Soviet Union was 'unreserved.' Mr Sanyal won't differentiate between the Soviet Union and the United States. Both are super powers but in the international arena the Soviet Union remained "the main danger" and not America.

Mr Sanyal didn't rule out the possibility of the OCCR contesting elections "in conditions favourable to the proletariat."

CSO: 4220/7675

COMMENTATOR GIVES BACKGROUND TO LALDENG JOURNEY

Calcutta THE STATESMAN in English 29 Aug 81 p 8

[Commentary by S. Guru Dev: "Peace Moves in Mizoram: Background to Laldenga's Journey"]

[Text] Before leaving for his "headquarters," Mr Laldenga seemed optimistic, but earlier he had again blamed the Centre for the tardy progress of the peace negotiations and dropped gloomy hints about the future. He has a flair for the dramatic but the recall of the MNF negotiators may not have been a gimmick. It could have been to buy time, a tactical gamble in the war of attrition which the Home Ministry seems to relish. The last time Mr Laldenga visited his jungle headquarters by courtesy of the Centre, he returned with a bagful of demands--and surprises.

The safe conduct pledge which the Janata government violated and Mrs Gandhi reaffirmed guaranteed an unhindered and in all likelihood a permanent exit for him. If the talks fail, the plight of the champion of Mizo nationalism can spark protests in Mizoram ranging from resignations of MLAs, bandhs and student demonstrations to more violent outbursts. It happened in the years before the resumption of the peace talks. The brutal killings of teachers shocked Christian conscience; the Mizoram Assembly adopted a resolution and silent processions were taken out in Aizawl. The cease-fire has changed all that laments the Chief Minister, Brigadier Sailo, adding that Mr Laldenga's "cohorts" have brainwashed the students, as in 1965-66 when the insurrection broke out.

The Brigadier sounds naive when he alleges infiltration of the Mizo Zirlai Pawl (MZP), the socio-cultural student organization, by Mr Laldenga's men. What else did he expect? The students and their mentors have used the cease-fire to align the MZP with ultra-regional forces of questionable origin and their mood is aggressive and militant.

Secret Strategy

Peoples' Conference sources allege that Mr Laldenga's son, Danmawia, had secret talks with MZP leaders like Zolailiana Khiantge and Andrew Khiantge, MNF leaders, Lt-Col. Lalkunga and others. He conveyed his father's appreciation of the student's role which would weigh with the Centre and urged them to embarrass the State Government by courting arrest. They were allegedly told to be ready to go underground should the talks collapse.

Apart from the students, Mizoram watchers believe that hardcore leaders like "colonel" Lalrawna and their boys would even repudiate an agreement signed by Mr Laldenga. In other words, insurgency in some form or other would become a part of frontier life. The problems of Mizoram are complex, calling for timely, bold and imaginative initiatives. What bedevils the administration are indecision and procrastination. The situation seems opportune for "sons of the soil" blessed with a pungent tongue and an evocative memory; it is a field day for demagogues, racists and phoney do-gooders.

The civil servant is not what he used to be, perhaps because of the bewildering changes at the top. Rarely have bureaucrats in the region felt more helpless. Assam is a pointer. A decade ago, IAS officers would have resented invidious comparisons with the ICS. Today's administrator makes one wonder whether he is functioning with any confidence at all. The evidence at Sachivalaya is depressing.

Mizoram's problem is still more subjective and subtle. Buffeted by contrary winds, the Mizo seeks shelter, but where should he go? He could, of course, join the larger economic community and acquire the skills to create an environment of comfort and well-being. But such an assimilation would invariably erode traditional life and values.

As late as the mid-forties, Major A. G. McCall, Superintendent of the Lushai Hills, spoke of wooing the Lushai "gently towards a clearer conception of good citizenship and the initiation of a sense of nationalism." He was nervous about the effort towards cultural uplift being "atrophied" by sponsoring grandiose schemes. But he was on surer ground when he said that the administration should "always be kept to its most simple and appropriate form."

Leader's Advent

According to him, there was no place for the politician in "traditional Lushai. In modern Lushai, the politician is needed but unavailable." Unless the administration supplied the lead, the people, he feared, would drift. Major McCall's fears were premature. The "unavailable" politicians became very much available after Independence. The traditional Lushai and the modern Lushai acquired an integrated personality and brought forth a man who mesmerised Mizo audiences and promised them freedom. Mr Laldenga was fired by the insurgencies that erupted after World War II to wrest freedom from colonialism, although he forgot about the Constitutional responsibilities inherited by the successor Government.

The early politicians of the Mizo Union like Bawischhuaka, Sappawnga and Chhunga (who became Chief Minister) were of mild dispositions. They were republicans in a sense, for they had uprooted the Lushai chiefs who, having emerged from "one-village life secured by force of (British) arms, had adapted themselves to life within a hole land of Lushai villages secured by the Pax Britannica." The district council which was to equip the Mizos for an egalitarian future save the chosen few a higher status and a taste of money power. The Mizo Union developed into a cadre-based party, a middle-roader in these exciting years when Mr Laldenga's secessionist ideas flowered with the bamboo (mautam). The young rebel's "soldiers" terrorized the pragmatic core of the Mizo Union.

Mr Laldenga's feelers to authority were characteristic of the guerrilla who wants a breather. Soon after the uprising, he wrote to the late B. P. Chaliha, Chief Minister of Assam, glossing over his visit to erstwhile East Pakistan. The letter was also signed by his vice-president Lalnunawia later murdered by the MNF in the hospital at Aizawl. Laldenga's emissary had stayed on at Aizawl to emphasize the futility of armed resistance! Liangzuala and Malsawma Colney migrated later. The former also was an emissary who stayed on; the latter came overground last year in the footsteps of Baiakohunga, the former army chief, and many others.

Mr Laldenga meanwhile fled Dacca in 1972 and Mizoram became a Union Territory. The Congress calculations were upset when the Mizo Union came to power. The people had rejected the "returnees" and their Congress sponsors. But the Chief Minister, Mr Chhunga, was pressurized to join the Congress which he did well before the AICC session at Gauhati. Once more, Mr Laldenga sent unambiguous messages to settle the Mizo political problem within the Constitution and a peace accord was signed on July 1, 1976. Church bells marked Thanksgiving services all over Mizoram, but discordant voices were heard all too soon. Mr Laldenga's aides spoke of a final settlement pending discussion of the basic issues.

Follow-up action was forgotten in the euphoria over the epic of the Seven Sisters and preparations for the Parliamentary elections. The Mizoram PCC felt that the talks should be resumed at a higher political level; Lal Thanhawla, their president, had perhaps prepared the ground with Mr Om Mehta. But the Janata party came to power and questioned Mr Laldenga's bona fides and intentions. It was made clear that an indefinite suspension of operations was neither feasible nor desirable. Relations with the Centre worsened and soon Mr Laldenga was hauled to court.

Brigadier Sailo was accused of trying to divide the MNF by propping up the Biakchhunga faction in the MNA. Mr Laldenga's charisma and Brigadier Sailo's popularity clashed in the Assembly elections in May, 1978--the "war of the tapes," as it was dubbed. The Peoples' Conference landslide was shortlived; President's rule was imposed in November the same year following defections from the ruling party. But the evergreen Brigadier was back in power in May, 1979, with a reduced majority.

After Mrs Gandhi's return to power, Lal Thanhawla pressed for immediate Centre-MNF talks, uncontaminated by the presence of certain officials, and specifically keeping the Brigadier out. Mr Laldenga even offered to help solve the Assam tangle. The Chief Minister generally kept a low profile. Subsequently he told Mr Zail Singh that the people of Mizoram expected the Government of India to put an end to the MNF's harassment of the public and maintain law and order "like in any other part of the country."

Arms Surrender

The Chief Minister has also set a pre-condition that the MNF "must come overground with all their weapons because we, the people of Mizoram, are fed up with violence." The surrender of weapons is a thorny issue. Clause three of the 1976 agreement (Mr Laldenga calls it an understanding) stipulated that the

underground delegation would collect all their personnel with their arms and ammunition "inside mutually agreed camps within one month of their establishment and hand over the arms and ammunition to the Government of India." That did not happen and it led to mutual recrimination.

Unlike the Shillong accord with the Nagas, there was no real peace council in Mizoram to act as a catalyst or shock absorber no Chedema armoury to ensure custody of the arms by an independent and respected agency, and no unique "Man of Peace" like the late Rev. Longri Ao. Some observers argue that the surrender of arms is good propaganda but it is no solution since weapons are readily available across Mizoram's international border, particularly in the Chittagong Hill tracts. It is more important to get the man behind the gun overground.

According to the grapevine, Mr Laldenga's visit to his jungle headquarters in March-April was an eye-opener. He was thrilled by the permanent bunkers, comfortable bashes for the "ministers" and other amenities. The recall of the MNF team was presumably Mr Laldenga's own idea since Zoramthanga, Tawnluia and the others at the headquarters are blind followers of his. The move to revisit his jungle hideout is intriguing.

CSO: 4220/7655

PARLIAMENT GETS REPORT ON GOVERNMENT BUDGETING

New Delhi PATRIOT in English 29 Aug 81 pp 1, 7

[Text] The Public Accounts Committee (PAC) has accused the Government of 'bad budgeting,' reports UNI.

In its 57th report tabled in Parliament on Friday the PAC says that while the Government indulges on the one hand in expenditure in excess of funds authorised by Parliament under certain heads on the other it does not utilise large amounts of money voted to be spent on some vital sectors.

The report, which was tabled in the Lok Sabha by PAC chairman Satish Agarwal, expresses concern that during 1979-80, appropriation accounts (civil) revealed an unspent amount of Rs 3,191 crore out of the total voted and charged amount of Rs 44,163 crore.

Addressing a press conference after tabling the report, Mr Agarwal said while examining the excesses over voted grants the PAC, has for the first time taken note of huge non-utilisation of funds under certain important heads of expenditure provided for the betterment of the people.

The report says that some of the vital sectors in which large-scale 'savings' have been reported are agriculture, fisheries, rural development, irrigation medical public health and housing.

"The reasons for heavy shortfalls in expenditure particularly in the rural sector need to be adequately explained to the committee the report has demanded.

It adds: "Over-pitching of the estimates without corresponding efforts to utilise the grants gainfully deprives the other equally vital sectors of the economy of the much-needed resources for development."

The PAC has asked the Government to exercise better financial discipline and prepare its budget estimates more precisely.

CSO: 4220/7659

GANDHI INAUGURATES CONGRESS-I YOUTH CAMP

New Delhi PATRIOT in English 29 Aug 81 p 7

[Text] Prime Minister Indira Gandhi cautioned the partymen against the attempts of many people to infiltrate into the Cong-I to exploit its name and said that antecedents of those seeking admission must be examined carefully.

"We must know who is good and who is bad so that we could sift accordingly," she added.

Inaugurating a three-day cadre training camp organised by the Youth Cong-I she said that Congressmen should beware of those who wanted to exploit the name of the party.

The Prime Minister felt that there was no Youth Congress movement in the country as it should have been. It was also not making any impact on the public as a whole.

The Yough Congress, she added, was expected to provide leadership. Her advice to the Youth Congress was that they should cooperate with students movement and ensure that they (students) were not exploited by other parties. Nor were they allowed to go in the wrong direction.

A debate was currently on whether the Congress should be a mass-based party or a cadre-based party, the Prime Minister said adding that in her view it should be both mass-based and cadre-based.

The party should be able to reach people of all sections, right from the top to the State and districts and down to the block level, she added.

Mrs Gandhi asked the Youth Congress to know more about the party and its background as well as its policies. There were valid reasons for formulating specific policies and programmes, she added.

Mrs Gandhi said the Youth Congress volunteers should be aware of what the people talked about them and be able to reply to the criticisms. Instead of depending on her to reply to the adverse comments including those in newspapers, the youth leaders should themselves be able to give a fitting reply. "They should not look to me." Asking the Youth Congress to have a deeper understanding of the people's problems she advised them to develop self-confidence and build up character. Only the nature of the difficulties change, the problems always remained, she said.

ASSAM DELEGATIONS CALL ON GANDHI, HOME MINISTER

New Delhi PATRIOT in English 31 Aug 81 pp 1, 9

[Excerpt] Two delegations representing the minorities of Assam have called on Prime Minister Indira Gandhi, Home Minister Zail Singh, Minister of State for Home Affairs P. Venkatasubbaiah and Assam Governor Prakash Mehrotra in the capital and appealed to them not to retreat from the government's declared stand on the foreign nationals issue with a view to appeasing the agitators.

The Prime Minister, Home Minister and the Assam Governor are learnt to have assured the delegations that the Centre will not deviate from its position on the question and the rights and interests of minorities in Assam will be protected by all means.

The two delegations were those of the Citizens' Rights Preservation Committee, Assam and the Zamiaat-Ulema-E Hind.

The delegation members emphatically told the Home Minister and the Assam Governor that if the Government surrendered to the illogical demands of the agitators and decided to begin identification of so-called foreign nationals from 1961, the CRPC and other organisations would be compelled to launch a counter-movement to safeguard the political, moral and constitutional rights of the linguistic, ethnic and religious minorities of Assam.

They further pointed out that any form of identification would only provide a handle to the extremists among the agitators to start fresh atrocities on the linguistic, religious and ethnic minorities with redoubled vigour. This, in turn, would have a chain reaction in the whole of the North-East as well as other parts of the country and the State and administrative machinery as it stands now would not be able to protect the non-Assamese people in that state.

They also felt that if the process of identification was undertaken in Assam, similar demands would be raised in other states of India and create chaos undermining the country's integrity.

The Home Minister said no decision on the issue had yet been arrived at and before any final decision, minority organisations and national Opposition parties would be certainly taken into confidence.

The CRPC delegation informed the Home Minister that the agitation in Assam had virtually fizzled out and rallies organised by the CRPC were attracting crowds in thousands in different parts of the State, including the capital Gauhati.

GOWDA DISSOLVES KARNATAKA UNIT OF CONGRESS-U

Bombay THE TIMES OF INDIA in English 31 Aug 81 p 1

[Text] Bangalore, August 30. The split in the Karnataka unit of the Congress(S) was complete today. The faction led by Mr D. B. Chandre Gowda, who has been reportedly suspended from the primary membership of the party but says he has not received any suspension notice till now, decided to dissolve the state unit and called on all Congressmen to come under the banner of the party headed by Mrs Gandhi.

The Urs camp met separately to decide to continue its opposition role. Mr Deva-raj Urs, who recently relinquished the post of party presidentship at the national level, was elected chief of the pradesh Congress(S). This marked the return of Mr Urs to active politics in Karnataka of which he was chief minister for nine years until he broke his ties with Mrs Gandhi.

"I have always been a Congressman and will remain so," said Mr Gowda who vacated the Lok Sabha seat from Chikmagalur three years ago and later joined Mr Urs in his role as a critic of Mrs Gandhi. He had all along remained true to Congress policies, Mr Gowda explained, and never deviated from his basic commitment to Mrs Gandhi's ideology.

The part played by the Congress(U) under Mr Urs's leadership was constantly under review and the last nail on the coffin of the Congress(U) had been struck by the verdict of the election commission in derecognising it, Mr Gowda said.

Since the derecognition of the Congress(U), party members in the state were looking for a new direction, some favouring entry into the Congress(I) and others wanting to form a regional party. Mr Urs himself had shown his inclination to join the Congress(I), provided there was a proper invitation from the other side.

All that Mr Urs and his supporters were doing was to postpone a decision while simultaneously Mr Urs was carrying on negotiations with the Janata and the Lok Dal to form a united opposition alliance. This dilly-dallying had caused unrest in the party, Mr Gowda said.

Mr Gowda asserted that his decision to quit the Congress(S) and join the Congress(I) had not been taken in haste or without consultation. The matter had been discussed at various levels, among DCC presidents and legislators, and he was only carrying out their wishes in meeting Mrs Gandhi in Delhi recently when he was told that all Congressmen were welcome to return to the Congress(I).

The meeting called by Mr Gowda was held in a hotel hall a few hours earlier to the one summoned by the Urs camp at the office of the Congress(S) on the Sub-hashnagar grounds. An attempt was made to obstruct Mr Gowda's meeting by some 50 slogan-shouting demonstrators, said to be Mr Urs's supporters. They were dispersed by the police.

Both the Gowda faction and the Urs camp claimed attendance by a majority of some 280 members of the PCC(S) at their respective meetings, but there was no way of ascertaining the validity of the claims. As political gatherings go, both were small.

CSO: 4220/7666

SOVIET VISITOR TOLD VIEW ON AFGHANISTAN TALKS

Madras THE HINDU in English 29 Aug 81 p 1

[Article by G. K. Reddy]

[Text] New Delhi, Aug 28--The Soviet Deputy Foreign Minister, Mr Nikolai Firyubin, had two rounds of talks today with the Foreign Secretary, Mr R. D. Sathe, followed by a working dinner with the External Affairs Minister, Mr P. V. Narasimha Rao, on the outcome of his visit to Pakistan.

The Indian view that the Soviet Union itself should take the initiative in opening the way for a meaningful dialogue, without waiting for Pakistan to talk directly to Afghanistan, was put across by Mr Narasimha Rao and Mr Sathe, after Mr Firyubin told them that the Zia Ul Haq regime was not yet ready to engage in any serious discussions.

According to some of the Western embassies in Delhi which have been in close touch with their missions in Islamabad during the Firyubin visit, there has been no change in the Pakistani stand over Afghanistan.

But at the same time Mr Zia Ul Haq and his Foreign Minister, Mr Agha Shahi, assured Mr Firyubin that Pakistan was keen on improving its bilateral relations with the Soviet Union.

Simultaneous dialogues

In other words, Pakistan is prepared to discuss the Afghan issue with the Soviet Union, but not talk to its protege in Kabul, the Babrak Karmal regime, on a footing of equality as between two sovereign States.

As Mr Zia himself said yesterday, the geopolitical position of Pakistan made it imperative to have a dialogue with the Soviet Union, which was in no way inconsistent with its stand on Afghanistan.

The Soviet Deputy Foreign Minister did not let go the opportunity to stress that the two dialogues could proceed simultaneously at different levels in their respective contexts. The mutual desire for better bilateral relations would help the two sides to step by step narrow down their differences on Afghanistan.

Sharp differences

But when they started talking about the causes and consequences of the Soviet intervention, it became clear that their bilateral relations could not improve so long as they continued to differ sharply over the very basis of a peaceful solution to the Afghan problem.

The Soviet side voiced its strong disapproval of the Pakistani complicity in the training and arming of the Afghan insurgents, while Pakistan was equally critical of the Soviet encouragement to the dissidents in Baluchistan.

Against this background, there was very little that India could do other than reiterate its view that the Soviet Union should take the initiative in breaking this vicious circle and finding a way out for a negotiated settlement of the Afghan problem.

Any further delay in evolving a solution would only increase the dangers of a wider conflict through greater involvement of the big powers in the region.

A step forward

Mr Firyubin, however, tried to give the impression that, despite Pakistan's refusal to give up its rigid stand on Afghanistan, his talks in Islamabad represented a step forward in defusing the situation.

He did not think that Pakistan had foreclosed its options by turning down the latest Afghan proposals for direct talks in the presence of the U.N. Secretary-General or his representative to find a political solution.

The Soviet Union, Mr Firyubin said, shared India's concern at the induction of American arms into Pakistan. He told the Pakistani leaders that they had nothing to fear from the Soviet Union and that the best way of ensuring the withdrawal of the Soviet forces from Afghanistan was to stop arming the Afghan rebels and strive for an early political settlement.

Continuing contacts

The American policy of rearming Pakistan figured during Mr Firyubin's talks with Mr Zia who complained about the Soviet arms supplies to India which, he argued, left him with no alternative except to turn to the U.S. for military assistance.

The impression that Mr Firyubin gave was that his visit to Islamabad has helped to clarify the various issues involved in this complex situation even if it has not narrowed down the differences.

CSC: 4220/7657

RAO: NATION FINANCING SOUTH AFRICAN STRUGGLE

Bombay THE TIMES OF INDIA in English 1 Sep 81 p 7

[Text] New Delhi, August 31 (PTI)--Apart from moral support, India is also giving "material support" to the extent possible to the people of Namibia and South Africa fighting for their freedom against the racist regime, Mr P. V. Narasimha Rao, external affairs minister, announced in the Lok Sabha today.

Replying to a debate on the anti-apartheid bill, which was later approved by the house unanimously amid cheers, Mr Rao said he had made known this at the recent meeting of foreign ministers of non-aligned countries in Algeria and it was "very greatly appreciated."

Replying to a pointed question of Mr Indrajit Gupta (CPI) regarding details of the "material support," Mr Narasimha Rao said it was essentially in the shape of money.

The external affairs minister said India had been consistently supporting freedom struggles in African countries.

Both in South Africa and Namibia, he said, "We will continue to help the freedom fighters and stand by them till their goal is achieved."

During the debate, members, while seeking several clarifications, generally supported the bill.

Mr Indrajit Gupta wanted to know whether India would host the England cricket team this winter if it included Geoff Boycott and Paul Parker, who had sport contacts with the white minority regime in South Africa. He also referred to the alleged secret confabulation between Mr Morarji Desai, the then Prime Minister, with a South African minister at the Frankfurt airport.

Several other members, including the Democratic Socialist member, Mr Jaipal Singh Kashyap, wanted the bill to be made comprehensive to include all forms of discrimination, particularly against the Harijans, but the external affairs minister, in his pointed reply said he would restrict his reply to the matter pertaining to the bill which sought to give effect to the international convention on the suppression and punishment of apartheid.

DELHI KEEPING CLOSE WATCH ON SUBVERSIVE ELEMENTS

Madras THE HINDU in English 31 Aug 81 p 1

[Article by G. K. Reddy: "Govt. Keeping Close Watch on Subversive Elements"]

[Text] New Delhi, Aug 30. The Government is keeping a very close watch on the movements and activities of some suspected agents provocateurs with alleged foreign contacts who are believed to be engaged in under-cover attempts to foment disaffection, provoke violence and create an atmosphere of destabilisation in different parts of the country.

The security agencies are hot on their trail to track them down, trace their clandestine contacts and nip the mischief in the bud before it assumes serious dimensions.

The Home Minister, Mr Zail Singh, confirmed in Parliament the other day that some neighbouring countries were training guerrillas and sending them to India to create trouble, but he declined to identify these countries in the larger public interest.

Though this was said primarily in the context of the continuing insurgency in Mizoram, the subsequent observations made by the Home Minister and his Deputy, Mr Yogendra Makwana, in reply to further questions on the subject indicated that these foreign trained guerrillas had infiltrated into some other places.

Threat of violence: It is not uncommon for countries like India burdened with domestic turmoils to keep a vigilant eye on the dangers of foreign involvement in their internal problems. But it has to keep up a credible distinction between a spillover of international terrorism and a politically motivated attempt at destabilisation in coping with such threats of violence.

It is equally necessary to draw a line between the diabolical machinations of the Big Powers to exploit domestic discontent to extend their own influence and the futile attempts of the small neighbours to take advantage of a troubled situation. There is a difference between active subversion to destabilise a country through covert operations and supply of arms to sustain an insurgency when it is running out of steam.

So in taking all possible steps to contain the threat of any foreign-inspired conspiracies to create internal dissensions, the Government is carefully

analysing all available evidence to find out whether there is any correlation between otherwise unconnected developments like the latest conversions, the upsurge of the Khalistan movement, the incidence of insurgency in the North-East region, the renewed talk of autonomy in Kashmir and the revival of inter-State disputes.

It is also looking into the possibilities of any contacts between foreign-trained terrorists and the dacoit gangs operating with impunity in some of the Northern States.

There is no conclusive evidence yet of active involvement of any Big Power in a destabilisation attempt, although it is not being ruled out altogether in the light of the sad experience of other countries in similar situations.

The agencies concerned are also satisfied that China is no longer ending any support to the insurgent movements in the North-East region, but the Naga and Mizo rebels who were trained by the Chinese in the past continue to run training camps in the Burmese jungles.

The Pakistan secret service has been training and sending agents across the border into Jammu and Kashmir, while the Mizo rebels are able to operate from the old camps in Bangladesh set up by undivided Pakistan with Chinese assistance.

Pak-Bangla collusion: But the Government has come across vital information suggesting some degree of coordination between the clandestine activities of Pakistan and Bangladesh which is a relatively new development.

All these aspects are being carefully looked into by the agencies of the Government concerned in taking the necessary counter-measures to meet the threat of foreign subversion. The Government is now exercising stricter control over the flow of foreign money through various channels, besides intensifying the vigilance against infiltration of foreign terrorists and smuggling of arms.

International pattern: Though there is no cause for any undue concern, the Government cannot afford to take a complacent view of these dangers which now form part of a well-established international pattern of subversion.

At the higher political level, too, the developing societies now face the threat of protective intervention as it happened in Kampuchea and Afghanistan, or punitive aggression as was the case against Vietnam.

These two perverse doctrines propagated by the Soviet Union and China pose as big a threat to neighbouring countries as the all-pervasive clandestine interference of the United States. And in facing the dangers of such threats from the Big Powers, one cannot also afford to ignore the attempts of the smaller neighbours to fish in troubled waters, while crying wolf all the time about their own exposure to similar pressures.

DELHI REPORTED READY TO DISCUSS ARMS REDUCTION

Madras THE HINDU in English 30 Aug 81 p 1

[Article by G. K. Reddy]

[Text] New Delhi, Aug 29. As part of a new propaganda exercise to justify the acquisition of U.S. weaponry well beyond its legitimate defence requirements, Pakistan is reported to be propping up the idea of an early meeting between the top military commanders of the two countries to discuss the prospects for a mutual reduction of forces to avert the threat of another arms race in the sub-continent.

Though Pakistan has been mooted from time to time the concept of a balanced reduction of forces, the plea for a meeting of military commanders to begin a dialogue on the subject was first made by Mr Agha Shahi when he visited Delhi last year to establish contact with the present Government.

The move misfired because he spoke of the desirability of a mutual reduction of force levels to create a better climate of peace and stability in the sub-continent in the same breath in which he pleaded for a settlement of the Kashmir question as a "sine qua non" for a better relationship between India and Pakistan.

During the recent visit of the External Affairs Minister, Mr P. V. Narasimha Rao, to Islamabad in the wake of the U.S. bid to rearm Pakistan, Mr Agha Shahi tried to revive the idea of a mutual reduction as a sort of a political gambit. It was meant to soften the strong Indian objections to the induction of new U.S. weapon systems adversely affecting the present military balance in the sub-continent.

When Mr Narasimha Rao sought further information about what exactly Pakistan meant by a balanced reduction, Mr Shahi did not provide the necessary elucidation. After hurried Cabinet consultations, he declined to give even a rough idea of the present Pakistani force levels, let alone spell out the scope for possible reductions.

It became quite evident that Pakistan was thinking in terms of an over-all reduction of the strength of the two military establishments, not merely a scaling down of the present deployments along the western front. The suggestion did not take into account India's commitments on the northern borders where more than one-third of its Army remained permanently tied down.

It was in this context that the Prime Minister, Mrs Indira Gandhi, said in Parliament last week that India should not walk into any trap in the name of discussing a balanced reduction of forces to avert an arms race. She did not go into further details since a complex issue of this nature could not be adequately dealt with during question hour in replies to supplementaries on the subject.

So India is not taking any official notice of the indirect hints that Pakistan has been throwing through third countries on a serious matter of this kind involving the country's defence. But it will not refuse to engage in any purposeful discussions if Pakistan spells out the scope of the proposed reduction consistent with the geopolitical commitments of the two sides.

If it is really serious about a balanced reduction, Pakistan can prove its bona fides by abandoning its plans to acquire F-16s which would automatically preclude the Indian need for MIG-27s or Mirage-2000s to meet this threat. And the same logic would apply equally to the other weapon systems it is trying to obtain from the United States.

CSO: 4220/7663

DELHI SEEKS TO END DELAY IN DEFENSE PURCHASES

New Delhi PATRIOT in English 29 Aug 81 pp 1, 7

[Text] The Government is studying a proposal to pay for information from prospective suppliers of weapons systems so as to expedite the process of procurement.

This has been thought necessary because many of those whom India has approached for purchases are dragging their feet over the process of supplying quotations and other detailed information.

The arms companies spend a tidy sum on collating the quotation and supplying other details and literature. If they are not absolutely sure of bagging the order, they tend to take their own time, making it difficult for India to take advantage of all the nuances in the business.

The UK, Spain, Italy and France have been approached for their designs but things have moved slowly since.

Saving

If the quotation stage is expedited there could be substantial saving in the finalisation of the deal and eventually in the total cost of the equipment, it is felt.

A delay by a month means a substantial increase in costs because of the "escalation clause" built into every contract. India lost a couple of hundred crores of rupees in the Jaguar deal because of the delay in taking a decision.

India's decision to buy the designs for the second aircraft carrier from abroad even though it has a competent naval design bureau has been explained by defence sources to the fact that it would take at least three years for an indigenous design to be made.

It will take about seven more years to build the aircraft carrier. By buying the designs India will save three years in time and about a hundred crores in rupees if the cost escalation is calculated over three years, it is stated.

The proposed aircraft carrier will be of lesser displacement than the Vikrant which flies a mix of fixed-wing, catapult-launched aircraft and helicopters.

The new carrier will fly only vertical and short take-off and landing aircraft (V/STOL) and helicopters thus doing away with the long angled deck and catapult which make up the bulk of a carrier's structure.

France has two carriers similar, though slightly heavier, to the Vikrant and one helicopter-carrier of 12,300 ton displacement. Italy has a 13700 ton carrier which has both large helicopters and V/STOL aircraft on board.

Spain has built a carrier from design supplied by two US firms and it has offered to sell the same to Argentina, Australia, France and Iran as well. It has offered to fit the latest 'ski-jump' ramp to facilitate STOL operation. The other contender is Britain which built the Vikrant for India.

The Vikrant which was commissioned in 1961 will be ready for the scrapheap within the next 15 years. If it will take seven years for India to build its own aircraft carrier if the design is bought soon, this country will have to make more than one if it is to pursue the two-carrier concept that has just been accepted.

Besides, with the escalation of foreign naval forces in the Indian Ocean region, India will require more carrier task forces to let prospective troublemakers know that it has the capability to defend its maritime interests.

CSO: 4220/7659

ALLEGED SUBVERSIVE GROUPS UNDER INVESTIGATION

New Delhi PATRIOT in English 29 Aug 81 pp 1, 7

[Text] The Lok Sabha on Friday adopted a private member's resolution demanding appointment of a commission of enquiry to probe into the activities of Gandhi Peace Foundation, Gandhi Smarak Nidhi, All India Sarva Sewa Sangh and other closely connected organisations against which charges of anti-national activities and using foreign money to create destabilisation in the country were made earlier.

Mr Tayyab Hussain's (Cong-I) resolution, along with an amendment called upon the Government to take serious note of activities, including publications and sources of funds of these organisations, which tarnished the image of Mahatma Gandhi.

Intervening in the debate, Minister of State for Home P. Venkatasubbaiah said that the Government had evidence to show that these institutions had been receiving substantial funds from abroad.

He added that some 'big countries' had made India a playground for their subversive activities.

Mr Venkatasubbaiah said it was brought to the notice of the Government as early as 1976 that funds received by those institutions were not properly utilised. The Government then, under Mrs Gandhi, had decided to stop Central and State assistance to those institutions. But the Janata Government resumed funding those organisations, he said.

Barring the amendment of Mr Faleiro, the House rejected by voice vote other amendments moved by Mr Bhiku Ram Jain, Mr Sudhir Kumar Giri, Mr V. N. Gadgil, Mr G. L. Dogra and others.

Acharya Bhagwan Deo (Con-I) alleged that the Gandhi Peace Foundation library was stocked with literature 'repugnant to Gandhian ideology.' Those on the Foundation were running international rackets in the name of Gandhi, he alleged.

Mr Faleiro said it was receiving funds from the US routed through European organisations based in West Germany and some other countries. The foundation was no longer wedded to the noble objectives it was started with.

MINISTER ASKS PUBLIC SECTOR TO INCREASE EFFICIENCY

Bombay THE TIMES OF INDIA in English 30 Aug 81 p 1

[Text] New Delhi, August 29--The finance minister, Mr R. Venkataraman, has called upon the public-sector units to increase its efficiency, generate larger resources and reduce its dependence on budgetary support.

Addressing a group of party MPs today, Mr Venkataraman pointed out that the chronic problems plaguing the public-sector units were its low profitability and unsatisfactory capacity utilisation reflected in worsening capital-output ratios.

The declining performance of the railways and stagnation in coal sector were till recently threatening the health of the national economy. The improvements in these critical sectors achieved in 1980-81 would have to be maintained and further enhanced in the current year.

Mr Venkataraman said the overall net profitability of public-sector enterprises had shown a declining trend. The aggregate losses of the public-sector units increased from Rs 40 crores in 1978-79 to Rs 74 crores in 1979-80.

Capacity utilisation had also not been satisfactory in the core sector, including power, steel and fertilisers. Slippages in execution and delays in obtaining sanctions had resulted in project cost escalations. If there was a yawning gap between plan targets and achievements, the credibility of the plan process would be seriously eroded.

Referring to "another unfortunate dimension" of the problem, Mr Venkataraman said the plan process was never intended to prop up the private sector. However the private sector had of late come to rely on the state and public-sector institutions not only for growth but also in some instances, even for survival.

The spirit of adventure and entrepreneurship, which characterised private industry in the early stages of our development, had now been replaced by pleas for support from institutional finance, concessions and protected markets.

It was now assumed that the provision of financial resources for the private sector financial institutions and industrial sickness could be cured by a supportive fiscal policy and state protection. The increasing number of sick units in the private sector was causing concern to the government.

It was never the intention, Mr Venkataraman added, that the model of mixed economy should degenerate into protected private enterprise. The private sector should urgently revitalise itself and gear up to face the challenges confronting the nation.

Resource Utilisation

The concessions offered by the government in the last two budgets should be fully utilised by private industry for promoting greater financial self-reliance and a more optimal resource utilisation.

Since massive public sector outlays were likely to pre-empt public savings substantially and the pursuit of restrictive fiscal and monetary policies was unavoidable for moderating inflationary pressures, private sector's dependence on public sector support should decrease.

Referring to the problems of development facing the economy, the finance minister said the continuing population pressure had made the question of resource allocation between economic and social programmes more difficult.

The persisting inflationary pressures had to be contained with astute supply management policies based on robust infrastructural support. The widening gap in our balance of trade had focused attention on the need to increase capacity utilisation in import substituting industries. The relevance of planning in solving these urgent problems was self-evident.

CSO: 4220/7660

DILBAGH SINGH TAKES OVER AS CHIEF OF AIR STAFF

Installation Ceremony Reported

Bombay THE TIMES OF INDIA in English 1 Sep 81 p 9

[Text] New Delhi, August 31 (UNI): Air Chief Marshal Dilbagh Singh today took over as the new chief of the air staff at a ceremony at air headquarters.

He succeeded Air Chief Marshal I. H. Latif, who retired after 40 years of distinguished service.

The outgoing chief, Air Chief Marshal Latif, signed a book handing over the command of the air force to his successor. He then introduced Air Chief Marshal Dilbagh Singh to the principal staff officers.

After the brief ceremony, Air Chief Marshal Latif inspected a guard of honour at air headquarters. He was ceremoniously taken out in an air force jeep.

Air Chief Marshal Dilbagh Singh, an outstanding fighter pilot, has flown more than 5,000 hours on various types of transonic and supersonic planes.

During his 37 years of service with IAF he has piloted 30 different aircraft, from the world war II vintage type to the latest supersonic MiGs.

Born on March 10, 1926, Air Chief Marshal Dilbagh Singh was commissioned into the air force on September 4, 1944. He saw the Kashmir operations in 1947 and saw action during the 1965 and 1971 wars with Pakistan.

He was awarded Param Vishisht Seva Medal (PVSM) for his meritorious services in 1979. He was appointed air officer commanding-in-chief of the Western Air Command in 1978 and took over as vice-chief of the air staff on January 1, 1981.

Air Chief Marshal Dilbagh Singh is also a keen golfer.

'UNI' Interview Summarized

Bombay THE TIMES OF INDIA in English 1 Sep 81 p 9

[Text] New Delhi, August 31 (UNI). Plans are afoot to develop indigenously new light combat aircraft and armed light helicopters to meet India's specific defensive needs in the late 1980s and 1990s, according to Air Chief Marshal Dilbagh Singh, the new chief of the air staff.

In an interview with UNI after his takeover, Air Chief Marshal Dilbagh Singh said the Indian Air Force had laid down users requirements for the new aircraft and the helicopters. He stressed that the main thrust would be "that our aeronautical engineers and technicians acquire contemporary design capability for aircraft and helicopters of the future with minimum input of technical assistance from advanced countries."

Air Chief Marshal Dilbagh Singh pointed out that in view of the new strategic environments in this region, an added responsibility would have to be shouldered by the IAF to defend the country. The IAF was currently reviewing its plans to meet the requirements of the future, he added.

PAF Has an Edge

Answering questions on the rapid build-up of the Pakistani Air Force and its plans to acquire the sophisticated F-16 fighter bombers from the U.S., the air chief said there had existed an imbalance between the IAF and the PAF in deep strike capability.

He said the Pakistani Mirage IIIs and Vs have greater reach, and greater bomb carrying capability as compared to the IAF's deep strike capability. The modern supersonic Mirage III and V aircraft gave an advantage to the PAF over the IAF's low Speed Hunters jets and Canberra bombers.

The air chief said to bridge this gap, India acquired the Jaguar aircraft and the MiG-23 ground attack fighters. The accent on acquisition of the latest equipment for the IAF is only in the context of defensive needs and not offensive roles which the F-16 would provide to Pakistani Air Force.

The air chief felt something had to be done to counter the menace of the F-16, the acquisition of which by Pakistan would introduce new and very high levels of sophisticated military technology in this region. This development has made it absolutely necessary for India to consider alternative for its defence.

Asked to comment on the possibility of the acquisition of the F-16 aircraft by Pakistan sometime next year, the air chief said "Then we will have to make do with our MiG-21 BIS aircraft and also by providing better training and better tactics to the IAF personnel."

Asked if the F-16 would threaten strategic targets in India, the air chief agreed that with the introduction of this aircraft Indian nuclear plants at

Narora, Trombay and Tarapur and also the Bombay High oil drilling platform would be within its effective range. Besides the oil, refineries in Mathura and Koyali in Baroda would also be within the F-16s reach, he added.

To counter all this, India would need to strengthen its radar coverage as well as mobile observer posts all along its borders and to augment its interception capability. Improvement in the early warning and communication system would also be needed. The aim would be to acquire a strong interception capability whereby the aircraft could be scrambled at a moment's notice, Air Chief Marshal Dilbagh Singh said.

The air chief said no matter how sophisticated the air defence system might be, some sneak raids would always get through, though at exorbitant cost. To achieve cent per cent immunity from such sneak attacks was almost impossible.

He said the role of the IAF in the 80s was going to be very crucial since more sophisticated weapons, newer aircraft and special types of rockets and smart bombs were coming into vogue. An electronics revolution in the military aviation field was on. In such circumstances, "we have to ensure that the enemy's interference in our affairs is reduced to the minimum.

In this context, he said, the IAF would have to develop electronics counter counter measures (ECCM) to neutralise and deter the enemy.

CSO: 4220/7671

IRAN REPORTED INCREASING IMPORTS FROM NATION

Bombay THE TIMES OF INDIA in English 31 Aug 81 p 7

[Text] Dubai, August 30 (UNI). Iran is steadily diversifying and increasing its imports from India.

According to authoritative sources at this West Asian trading post, apart from the traditional items like tea and jute, Iran is looking for textiles, pharmaceuticals, leather goods, sheet glass and motor spare parts from India. In several cases, the Iranian authorities are importing goods direct from India although the traders are meeting their requirements from Dubai and Kuwait.

The sources said till 1978, Iranian imports from India stayed at the level of about \$ one million a year. But now the figure of direct imports was touching the two-million-dollar mark, and if its imports via Dubai and Kuwait were considered, it would substantially go up. Items like motor spare parts and sheet glass had virtually become an Indian monopoly and due to their popularity, their imports were certain to increase.

Import of Medicines

The sources said that, for the first time, Iran was importing medicines and pharmaceuticals from India. Another non-conventional item was cotton textiles worth \$ 35 million from India last year.

Traditional Iranian imports from India constituted engineering goods, apart from tea and jute. But last year, Iran imported 12,000 jeeps and a number of diesel irrigation pumps.

Iran has already signed an agreement with an Indian jeep manufacturer for continued supply of spare parts and an understanding has been reached to set up a factory in Iran with Indian assistance.

The United States had moved the United Nations last year for an economic embargo against Iran following the hostage crisis. When the move failed, it sponsored an informal Western trade embargo.

However, as the U.N. decided that there should be no embargo against Iran, India continued to trade with Iran "in the normal manner," the sources said.

The sources said there was a major demand in Iran for cement, steel and construction material, adding the Indian authorities could make special efforts to export these items to Iran after meeting the domestic needs.

India could also export quality rice to Iran, the sources said, pointing out that a Dubai trader had sent to Iran 30,000 to 40,000 tonnes of Indian rice last year.

Rice fetches \$400 a tonne in the international market. By the profit so generated, India could offset its buffer stocks of wheat which costs only about \$180 a tonne, the sources said.

CSO: 4220/7666

JHARKHAND PARTY PLANNING TO SEEK BROAD BASE

Calcutta THE STATESMAN in English 31 Aug 81 p 9

[Text] Midnapore, Aug 30--The Jharkhand Party is trying to shake off its sectarian image. There is a move to make it broadbased so that people from all walks of life can become its members.

The party has expanded rapidly in this district over the past few years, especially among the tribals and the poor. This seems to have inspired the leaders of the party. They believe that only the Jharkhand Party can become an alternative to the CPI(M) in this district and to do that the party should expand and welcome everyone, irrespective of caste and creed.

This new line of thinking is, however, being questioned by some leaders of the party. They feel that the party should continue to uphold the cause of the tribals only. They argue that the party has been able to establish its image as a "friend of the oppressed." As a result, it has been able to enlist the support of many non-tribals as well. There is, therefore, no immediate need to change its present line, especially when the tribals are yet to get a "real fair deal" from the Government.

The division in the party became more apparent recently in connexion with the distribution of stalls in the extended part of Jubilee Market at Jhargram. Before its extension, the market had about 600 stalls, of which only two belonged to the tribals. The extension programme was taken up following demonstrations and agitations by Jharkhand Party supporters. They demanded that more tribals be accommodated in the market. The new wing of the market was completed some time ago at a cost of about Rs 7 lakhs.

The wing was inaugurated last week by Mr Benoy Chowdhury, Minister for Land and Land Revenue. It can accommodate nearly 400 stalls. At the inaugural function, the Minister announced that all the new stalls would be given to the tribals having an annual income of less than Rs 3,500 and a land holding of one acre. They would also be given margin money from the West Bengal Scheduled Caste and Tribal Development Finance Corporation and loans from the banks, the Minister added.

The Jharkhand Party supporters boycotted the function protesting against discrimination in the distribution of stalls. Later, in a deputation to the Sub-Divisional Officer of Jhargram, they demanded that 50% of the stalls be allotted

to non-tribals and the ceiling on income and land holding be raised so that everyone could get stalls in the market.

The deputationists told the SDO that by earmarking stalls only for tribals, the Government was trying to create a division between the tribals and the non-tribals. They requested that both the tribals and the non-tribals be treated equally in the matter of distribution of stalls in the new wing.

CSO: 4220/7668

ONGC MEMBER WRITES ON ONSHORE EXPLORATION

Calcutta THE STATESMAN in English 31 Aug 81 pp 10, 11

[Article by H. G. T. Woodward, member (Onshore) ONGC]

[Text] The search for oil in India began seven years after the first oil well was drilled Pennsylvania, USA by Col. Drake in 1859; efforts however, were earlier confined to the upper Asam Valley only. The Government's policy towards oil exploration at the national level took a concrete shape around 1955-56. About the same time, the industrial policy resolution of April 30, 1956 was passed, which placed mineral oil in Schedule 'A' stating clearly that "future development of oil industry will be the exclusive responsibility of the State." The Govt. of India created a Petroleum Division within Geological Survey of India (GSI) in 1955 for oil exploration work. Soon the Petroleum Division of GSI grew into a Directorate of Oil & Natural Gas Commission which was raised to the status of a Commission on August 14, 1956. The Commission was later converted into a Statutory body on October 15, 1959.

In the twenty-five years since its inception ONGC has matured into one of the technologically self-sufficient oil companies among the developing nations. It is one of the few oil companies in the world engaged in every aspect of oil exploration, drilling and production. So far (Till June 1981) about 3-12 million metres and 1689 wells have been drilled in Onshore areas, 198 structures have been drilled of which 58 structures were found oil bearing. Starting from a production of 0.04 MMT in 1961-62 from Gujarat, a production of 4.23 MMT was attained in 1980-81. Cumulative production of oil and gas from Onshore areas amounts to about 68-31 million tonnes and 7551.80 million cubic metres respectively. A large number of wells have been drilled and tested onshore in Gujarat (1,268 wells), Assam (351 wells), Tripura (5 wells), Meghalaya (2 wells), Nagaland (3 wells), West Bengal (6 wells), Uttar Pradesh (4 wells), Bihar (2 wells), Punjab-Himachal Pradesh (10 wells), Tamil Nadu and Pondicherry (18 wells), Jammu & Kashmir (3 wells), Andhra Pradesh (1 well) and Rajasthan (16 wells) but significant discoveries of Hydrocarbons in commercial quantities have so far been made in Gujarat and Assam only. Presence of Hydrocarbons has been established in Rajasthan, Tamil Nadu, Andhra Pradesh and Himachal Pradesh; so far these have not been proved commercial.

Several new techniques like extensive use of digital units for seismic data processing, continuous computerised pressure prediction during drilling of wildcat wells, induction of new indigenous sophisticated electrical rigs etc. have been introduced in onshore areas. Digital logging units were recently introduced for affective formation evaluation and reservoir monitoring. Also

several new fields like Jhalora, South Sobhasan, Viraj Jothana, South Santhal, Motwan, Sisodra in Western Region, Amgurai and Charali--6 in Eastern Region have been brought under production. The scope of exploration has been broadened and intensified by seismic coverage in Gandak depression, Surma Valley Krishna Godavari and Cauvery basins.

In 1974-75 an Indo-Soviet team carried out a study of onshore basins (1.4 million sq. m.). Thirteen prospective basins have been identified by the team, and this forms the basis of prospect categorisation and input distribution for future plans.

Based upon the above assessment an accelerated programme of exploratory drilling has been initiated in the producing basins of Cambay and upper Assam, and the highly prospective areas of West Bengal, Tripura and Krishna Godavari.

According to the present day knowledge and known technology, it has been estimated that the following is the remaining quantum of regional seismic survey to be completed:

Area Basin	In line kms.
1. Ganga Valley and Himalayan foot hills	4,000
2. Rajasthan:	
a) Jaisalmer District	2,000
b) Bikaner Nagore basin	1,000
3. West Bengal	1,500
4. Tripura & Mizoram	1,500
5. Krishna Godavari	500
6. Cauvery	2,000
7. Assam	2,000
8. Cambay basin	2,000
Total ...	16,500

To complete the above task it is proposed to increase the number of seismic parties to 35 and also improve the technology to increase their output. This will enable ONGC to grade the basin sectors accordingly to their prospects.

The onshore activities are divided into three sectors regions namely Western Region, Eastern Region and Central Region. In brief the prospects and future programme of work envisaged in these regions and indicated below:--

Western Region

Western Region areas include Cambay basin in the State of Gujarat together with Kutch and Saurashtra. Cambay basin is a maturedly explored basin; it is now sought to:

- a) Explore for subtle traps in known producing areas.
- b) Explore for deeper prospects (Ankleshwar deep well).
- c) Extend exploration to lesser explored parts of the basin (Tarapur and Broach blocks).

It is proposed to increase the number of seismic parties from 6 in 1979-80 (field season) to 10 by 1984-85. Besides, one contract seismic party is proposed to be deployed in the highly prospective shoal areas during 1981-82 and 1982 and 1982-83 season. In the current five years 1980-85, it is proposed to deploy 14 to 15 rigs and to undertake drilling of 249-7 thousand metres of exploratory drilling and 250.3 thousand metres of development drilling. All these exploratory efforts are directed towards establishing at least 20 million tonnes of additional recoverable reserves during the five year period. Regarding production of oil and gas from this region, so far 58.81 million tonnes of oil and 7507.63 million cubic metres of gas have been produced.

However, Ankleshwar field in Gujarat which supplied the bulk of the Onshore crude oil is on the decline. A team of Soviet experts have studied and recommended development programme so as to recover the maximum possible crude oil from this field; this programme is under implementation. The crude produced from Ankleshwar is highly valuable for the preparation of detergent alkalytes in petro-chemical plant at Baroda. It was, therefore, considered necessary to produce this crude from a longer period as far as possible to meet the requirement of IPCL.

The production from North Gujarat fields is being kept at 1.4 million tonnes per annum through out the Five-Year period 1980-85. This will be stepped up when the catalytic cracking unit at Koyali is set up to handle higher quantities of LSHS crude. During the five year period the annual production from this region will range between 3.00-2.80 million tonnes per annum. Various enhanced recovery techniques like trial water flooding in Nawagam field, selection of appropriate polymer for injection in Sanand field and also thermal flooding in Balol-Santhal field are planned to improve recovery from these fields.

Eastern Region

This region is considered to be highly prospective. About thirty structural features have been identified in this area so far. Twenty-eight structures has been undertaken for drilling of which hydrocarbons have been found in 8 structures. The thrust of further exploratory efforts in this area is this area is proposed to be directed towards the Naga foot-hills in the Surma and Dhansiri Valley. During the current five year plan it is proposed to increase the seismic parties to 8 parties. The tempo of drilling activity is also planned to be increased by gradually increasing the number of drilling rigs from 12 in 1980-81 to 18 during 1984-85. The quantum of exploratory and development meterage envisaged during the five year period is 300 thousand metres and 330 thousand metres respectively.

The production of crude oil from this region is planned to be increased from 1.7 million tonnes per annum in 80-81 to 3.0 million tonnes per annum in 1984-85.

Central Region

On the basis of present day knowledge, four basins of the Central Region are considered to hold the maximum potential viz. Godavari, West Bengal, Cauvery

and Rajasthan. In Godavari two rigs are operating at present. The rig strength will be gradually raised to 4 rigs. In West Bengal 2 rigs (1 deep and 1 medium capacity) are at present deployed. Here again it is planned to further intensify the exploration activity by deploying 3 rigs. A U.S. Consultant has been engaged for preparing a delta model of West Bengal and to suggest further lines of work. It is proposed to re-enter the Cauveri basin for the further exploration.

Available data of Cauveri basin has been reviewed by a well-known U.S. petroleum geology consultant and based on his recommendations further exploration will be carried out. In Tripura 3-2 rigs will be deployed during the plan period.

The total exploratory metreage in Central region areas will go up from 17,300 in 1980-81 to 57,000 in 1984-85. The total number of rigs will go up from 7 in 1980-81 to 15 in 1984-85. During the next five years 51 wells with a total metreage of 202,000 are planned to be drilled in Central Region Areas. It is proposed to increase the tempo of geophysical survey work also in Central Region. The total number of Seismic parties will go up from 18 in 1980-81 to 20 in 1982-83. A contract party will carry out teleseismic eD work in Himalayan foothills during 1980-81 and 1981-82 season. In the Sunderbans area about 2,000 line km. of seismic surveys have been complete in the shallow water zone by a foreign seismic party on contract.

Further work in the shallow water area is currently progressing in 1980-81. Joint Indo-Soviet seismic parties are planned for Tripura and West Bengal areas during the plan period.

Thus a systematic approach to explore and exploit the prospective sedimentary basin in Onshore areas of the country has been formulated for the next five years.

CSO: 4220/7668

PARLIAMENT UNIT REPORTS ON THAL VAISHET PROJECT

Calcutta THE STATESMAN in English 31 Aug 81 pp 1, 9

[Text] New Delhi, Aug 30--The Public Undertakings Committee of Parliament, in its report on the multi-billion rupee Thal Vaishet fertilizer project, has asked the Government to keep "a strict watch" on the performance of the Danish-Italian consultants, Haldor Topsoe, and stipulated that "any further tie-up with them should be decided on the basis of this performance."

Pronouncing on the controversial deal that has led World Bank to cancel a \$250-million loan to India, the committee noted that "according to the Government, there will not be any financial loss in accepting the final offer of Haldor Topsoe and rejecting that of M/s C. F. Braun. The committee trusts that this has been borne out by an expert evaluation. However, the fact remains that on account of the delay of nearly two years in fixing up the consultant, the cost of the Thal Vaishet project has considerably increased. The committee, therefore, desires that there should be a clear policy and a well-designed procedure for selection of foreign consultants to enable expeditious decisions. The construction costs would actually materialize. A strict watch on the performance would be necessary and any further tie-up with them should be decided on the basis of this performance."

The committee, headed by Mr Bansi Lal, said that "the anxiety of the Government seems to have been to balance the economic consideration against the reliability of the technology in Indian conditions, and the need for a choice between forward-looking technologies for future application." But at one stage in course of the report, the committee quoted the remarks of the Secretary of the Department of Chemicals and Fertilizers suggested that it was "weighty non-technical reasons" that went into award of the contract to Haldor Topsoe.

The report says: "The committee asked (the Secretary) how the offer of Haldor Topsoe was found to be comprehensive and attractive and whether the committee of Ministers had the advantage of any superior-technical advice. All that the witness could say was: "I can't say superior-technical advice; they have gone into what I may say weighty non-technical reasons." The Cabinet decision merely accepts the recommendations of the committee of Ministers which say: "The offer by Topsoe for transfer of technology is comprehensive and attractive."

After the cancellation of the World Bank loan of \$250 million for the Thal Vaishet project, the Government has not been able to tie up in full the funds

needed for the project and whatever commercial credits it has been able to raise in this connexion has been at a much higher cost, Mr K. P. Unnikrishnan, member of the Lok Sabha, who raised the point in the House, said today.

The gas-based Thal Vaishet fertiliser project, which would be the world's largest single producer of urea from any one location, was approved by the Government in May, 1979, at a cost of Rs 511.34 crores. The project, mainly consisting of two 1,350 tonnes per day ammonia plants and three 1,500 tonnes per day urea plants, was expected to be commissioned within 45 months of signing of the engineering contract for the Ammonia plants. There was, however, an inordinate delay in selection of the engineering consultants and according to a revised estimate the project would cost Rs 889 crores, the Public Undertakings Committee noted.

The committee went into the question of the delay. The committee said that the bids received in this connexion and also the two fertilizer plants at Hazira were received and examined by a negotiating committee, which was assisted by an evaluation panel. Thereafter negotiations were held with the three lowest bidders and the bids re-evaluated. "The intention then seemed to have been to have the same technology for both Thal Vaishet and Hazira plants. The department of Chemicals and Fertilizers also made its own evaluation. All the evaluations showed that the offer of M/s C. F. Braun was the lowest.

"The matter was then considered by the Special Committee of Secretaries on fertiliser projects which recommended in June, 1979, the selection of M/s C. F. Braun as the consultants. The recommendation was accepted in August 1979, by the Government. A draft contract was also finalized in December, 1979. There was, however, a reconsideration of the issue by the Government after January 1980, and the whole matter was referred to a Committee of Ministers in July 1980.

"The committee accepted the majority view of the expert committee, but the unanimous decision that M/s C. F. Braun should be selected as the consultant for the Thal Vaishet plants was turned down mainly on the ground that M/s C. F. Braun had no experience of having built and operated a plant in India and the proposed contract suffered from legal lacunae. It was of the view that Haldor Topsoe should be selected for the Thal Vaishet project and Fullman Kellog for the Hazira project. This was accepted by the Government in September, 1980."

On December 23, 1980, raising a discussion in the House on the award of the contract to the Danish-Italian firm, Mr Unnikrishnan had attacked the whole basis of the Government's decision and laid on the table of the House photostat copies of Government documents regarding the decision to make the point that the award of the contract to Haldor Topsoe was malafide, was not in the interest of the nation and it would lead to a delay in the commissioning of the plant and to a loss of crores of rupees.

INTERMINISTERIAL PANEL ON ENERGY FORMED

New Delhi PATRIOT in English 31 Aug 81 p 12

[Text] An inter-ministerial working group headed by Heavy Industry Secretary D. V. Kapur has been constituted by the Government to go into various aspects of utilisation and conservation of energy, reports UNI.

The terms of reference of the group are: To undertake field studies of a representative cross-section of industrial units for evaluating the present status of efficiency of energy utilisation and recommending special short, medium and long term measures for optimising energy consumption.

To suggest, in the light of the field studies undertaken appropriate changes in energy utilisation techniques and modifications/replacements of existing equipment, including instruments and control.

To recommend a suitable permanent machinery to undertake energy conservation field studies at unit level and monitor the implementation of the identified conservation measures according to a time-bound programme.

To examine and suggest appropriate fiscal incentives and patterns of funding for implementing energy conservation measures involving substantial capital expenditure.

To suggest appropriate measures for taking into account the aspects of energy conservation in the procedures for industrial approval.

To undertake indepth study of the indigenous energy conservation equipment industry and suggest appropriate measures for its development.

To examine and recommend changes, if any, in the existing policy and procedures for import of energy saving equipment/processes and knowhow.

To identify suitable industrial sectors for adopting total energy concept through co-generation of power.

To examine the scope of substituting scarce energy by more readily available sources.

To recommend appropriate arrangements for training of operational and managerial personnel.

To make recommendations on other related matters.

Other members of the group are: a representative each from the Bureau of Industrial Costs and Prices, Departments of Economic Affairs, Power, Petroleum, and Coal and Mr P. R. Srinivasan, Deputy Executive Director of the National Productivity Council as member secretary.

CSO: 4220/7670

SOLAR, BIOGAS ENERGY PROJECTS BEING PUSHED

Kuala Lumpur BUSINESS TIMES in English 13 Jul 81 p 6

[Article by V.S.P. Kurup in New Delhi]

[Excerpts]

INDIA has now embarked on one of the most ambitious solar energy development programmes in Asia today, preparing for the time when its meagre oil and gas resources will run out.

Round the year, India gets intense sunlight — averaging 12.5 kilo calories per square centimetre — which has hardly been tapped. Yet with simple devices, sunlight can be used to pump water, process food-grains, cook food, boil water and heat buildings in winter.

For the next five years, India plans to spend US\$19 million for research into and development of solar energy in all its forms.

As a vivid example of the immense possibilities solar energy holds for India's rural areas, the government has installed the country's first solar-powered lighting system in Choglamsar, a remote village near the Tibetan border.

Using photovoltaic cells, the US\$19,000 system provides enough electricity to light 32 fluorescent lamps in a 20-bed hospital. Scientists hope to lower the cost by developing low-cost solar-grade silicon, the essential component in solar cells for photovoltaic cells.

A ten-ton-day solar grain dryer was installed recently at a farm in

Punjab and a bigger one — with a 30-ton capacity — is now being tested in Kerala.

In a hot and humid country like India, refrigeration systems are in great demand to keep buildings cool and preserve food. Scientists at the Indian Institute of Technology in Bombay have developed a solar-powered cold storage plant. It will be commercially available after further tests have been conducted.

Two companies have also started to manufacture solar heaters which can substantially cut the cost of heating buildings in winter. They are now producing 150-litre domestic models. A plant established by the Central Salt and Marine Chemicals Research Institute is providing 1,500 litres of hot water at 80 degrees centigrade to a big textile mill at Ahmedabad in West India, to be used for dyeing.

At the same time, there is a move to amend the country's building code to make solar heaters mandatory and to insist that all industries and government projects switch over to solar energy. To dramatise this move, the Prime Minister's residence in New Delhi now uses a solar water heater.

The use of solar energy for pumping water is no longer a laboratory wonder for India. A

simple solar pump — even drawing as much as 20,000 litres of water daily in a semi-desert area of Rajasthan.

Since these pumps work by electricity generated through the direct conversion of solar energy, a lot of research is now being conducted into developing a more efficient photovoltaic cell. The Indian government plans to spend US\$15 million in its search for a better photovoltaic cell in five years.

Another development in solar energy technology is the making of a solar generator. A prototype has been developed by the Indian Institute of Technology in Madras. Scientists are also keen in launching solar satellites which can convert solar energy into electricity. Electricity will then be transmitted to earth in the form of microwaves.

Along with solar energy, government officials feel that biogas also holds an important place in filling the energy requirements of Indian villages. There are 80,000 biogas plants in India today, producing 99.82 million cubic metres of gas which is equivalent to 62 million litres of kerosene.

But the country has a potential for three million biogas digesters on the basis of the 200 million cattle population of India. Scientists calcu-

late that to operate the 2.7 million diesel pumps in the villages would require 47 million cubic litres of gas. But gas from India's cattle dung alone can generate 24 billion cubic metres of gas.

This potential could increase if other animal and vegetable wastes are added. A recent study has revealed that the water hyacinth — a weed that chokes and congests the world's rivers — is a good source of biogas. A kilo of dried hyacinth can produce as much as 374 litres of biogas containing 60 per cent methane.

Although a lot of problems still bug the country's biogas plant, over 20 kinds of digesters are currently in use, with capacities ranging from two cubic metres to 85 cubic metres of gas daily.

Generators and car engines have also been developed to run on biogas. Large biogas plants to generate electricity for villages are also being built.

India has also begun researching and developing other sources of renewable energy. Scientists have developed simple and cheap hydro systems which can generate enough electricity from streams. An easily replaceable electronic controller of speed and voltage eliminates costly governing arrangements, making them 50 percent cheaper than existing models.

ECONOMIC RESEARCH UNIT SEES NEED FOR RUBBER IMPORTS

Bombay THE TIMES OF INDIA in English 1 Sep 81 p 10

[Text] Cochin, August 31: A substantial gap between the production and consumption of rubber in India is forecast for the eighties. The estimates of the gap vary, but it is agreed that it will be on a significant scale.

The National Council for Applied Economic Research (NCAER) estimates the shortfall of natural rubber to be around 65,000 tonnes by 1984-85, which the rubber board puts it around 37,000 tonnes. According to the board, the production is expected to reach 200,000 tonnes by 1984-85 while the consumption will go up to 237,000 tonnes.

The demand for natural rubber is expected to be around 185,000 tonnes in 1981-82 against an estimated production of 165,000 tonnes, leaving a deficit of 20,000 tonnes.

The gap between the supply and demand of rubber in India is not a new trend. In fact, it is a world-wide phenomenon. But as far as India is concerned, it will be a more serious problem as this country's consumption of natural rubber is 81 per cent against the world average of 30 per cent.

A recent study on the outlook for the next decade points to the difficulties that might be faced in reducing this gap, which the NCAER expects to be around 170,000 tonnes by 1989-90, by way of imports or by increasing the production of synthetic rubber. The production of this variety had declined after the 1973 oil crisis.

The study points out that imports will have to continue for quite some years despite the objection voiced by growers and the government of Kerala.

Rs 100 Cr. Scheme

One suggestion is the drawing up of a long-term plan to bring more area in both the conventional and non-conventional regions of the country under rubber plantation. The rubber board has already taken up a Rs 100-crore scheme to bring about an additional 25,000 hectares of land under rubber during 1980-85 to increase the production by 40 per cent.

Trial plantations conducted by the rubber board in Assam, Tripura, Goa, Maharashtra and Andhra Pradesh have shown scopes for the expansion of the area under rubber. At present, the cultivation is confined only to Kerala, Karnataka, Tamil Nadu and the Andaman and Nicobar Islands. Of this, Kerala accounts for nearly 91 per cent of the area and 94 per cent of the production.

CSO: 4220/7671

MATHURA REFINERY TO BE COMMISSIONED IN NOVEMBER

New Delhi PATRIOT in English 31 Aug 81 p 9

[Text] The Mathura Refinery, with six-million tonne capacity, will be commissioned in November next.

Petroleum Minister P. C. Sethi told a party of newsmen who visited the refinery on Saturday, that initially the refinery would process four million tonnes of crude and was expected to operate at its peak capacity in the first quarter of 1982. The crude is already in the pipeline for processing.

With the commissioning of the Mathura refinery, the total refining capacity in the country will go up from the present 31.80 million tonnes to 38 million, he said.

Indian Oil Corporation (IOC) chairman C. R. Das Gupta who was present on the occasion said that the refinery products would start flowing out of it from November end.

In reply to a question, Mr Sethi said that the refinery had an in-built capacity to produce seven million tonnes of petroleum products.

The refinery will process both Middle East and Bombay High crude, pumped along 1219 km pipeline from Salaya in Gujarat and will meet the ever increasing needs of petroleum products in the North-Eastern region covering Delhi, Punjab, Haryana Rajasthan, Jammu and Kashmir and most of Uttar Pradesh.

Mr Das Gupta explained that the refinery was originally to go on stream by April 1980 but was delayed due to various factors, the important ones being acute power shortage, labour problems and delay in delivery-schedule by the indigenous manufacturers.

Due to this delay, there has been 30 per cent cost escalation and the project cost at present is Rs 240 crore as against the original estimate of Rs 192 crore.

Mr Das Gupta said that of the total project cost, foreign exchange component had been only 12.2 per cent, of which technical assistance from the Soviet Union accounted for 8.14 per cent.

When in full production, the refinery will yield over two million tonnes of HSD, 8,09,000 tonnes of naphtha, 6,58,000 tonnes of kerosene, 3,50,000 tonnes of motor spirit (petrol) and 1,80,000 tonnes of LPG (cooking gas), besides many other important products.

The LPG production will be the highest, enough to serve about 15 lakh consumers.

To take these products to major consumption centres, a 513 km product pipeline from Mathura to Jullundur via Delhi and Ambala is being laid and the first phase of the pipeline will be commissioned by the end of the year and the entire system will be ready in 1982 at an estimated cost of Rs 50 crores.

The refinery will supply feedstocks to three fertiliser plants based on heavy feed-stocks at Bhatinda, Panipat and Nangal and three more Naphtha based plants at Kannur, Phulpur and Kota.

The IOC has taken adequate pollution control measures to ensure that the Taj-mahal is in no way affected by the emissions of the Mathura refinery.

The IOC has so far spent over Rs 10 crores to determine and adopt latest anti-pollution technology. It is for the first time that such a huge amount is being spent on pollution control measures by any refinery.

Mr Das Gupta said that as a part of the pollution measures, only low sulphur fuel oil would be used in the refinery.

The resulting emission of sulphur dioxide will be limited to a maximum of one tonne an hour. A separate unit has been set up for the removal of sulphur from fuel gases before they are burnt in the furnace.

He said that Archaeological Survey of India has given clearance to the refinery.

CSO: 4220/7670

GROWTH REPORTED IN PUBLIC SECTOR ELECTRONICS

New Delhi PATRIOT in English 31 Aug 81 pp 1, 9

[Text] Electronics production in the public sector has shot up in recent years and has become more broad-based, reports PTI.

This is attributed in official circles to careful planning, combined with efficient promotion and coordination by the Department of Electronics (DOE) over the last five years.

As a result of the efforts of DOE, import substitution amounting to Rs 120 crores of high technology electronic systems and equipment over 1979-83 and orders or firm commitments for another Rs 170 crores over 1983-85, has been achieved, bringing the total to Rs 290 crores over 1979-85.

Five central public sectors--BEL, ITI, ECIL, Instrumentation Ltd and BHEL--contribute a little over 35 per cent of the total output of Rs 800 crores of the industry in 1980. More importantly, they constitute the core of the industry--both equipment and components--and above all in the technological sophistication of their products.

Active work by the DOE has also directly resulted in ECIL alone securing firm orders for about Rs 60 crores of sophisticated electronic equipment over 1980-83. This amounts to about Rs 20 crores per year which comes to 50 per cent of the company's present turnover level of Rs 40 crores. In the case of Instrumentation Ltd., it is about Rs 20 crores over the same period. The situation is similar in the case of BEL and ITI. As for BHEL, their electronics production has increased substantially during the last three years.

This spurt in production is mainly attributed to the policy of active import substitution pursued by the DOE, particularly in the large electronic control equipment needs of the Bokaro, Rourkela and other steel plants, as also in some cement plants.

A major effort by DOE, in the area of both research and development support and securing bulk orders, has had a substantial impact on another public sector company, Central Electronics Ltd.

Not only has DOE contributed significantly to the planning commission having agreed to provide the necessary domestic funds for the Rs 12 crores national

solar photovoltaic demonstration programme of CEL, but it is pointed out, that sustained efforts by DOE has also resulted in CEL securing regular commercial orders for solar power sources for offshore oil platforms being built for ONGC by Mazagaon Docks Ltd. These are expected to result in about Rs 2 crores worth of firm orders for CEL over the next two years.

Similar orders have been secured for solar powering of the electronic monitoring systems for the flood forecasting programme of the Central Water Commission and are expected to be secured by CEL from the P and T for the latter's rural telecommunication programme. All these have resulted from the import clearance procedure of the DOE combined with active technical and administrative promotion and coordination between users and manufacturers.

CSO: 4220/7670

FOREIGN EXCHANGE RESERVES FALL RAPIDLY

Calcutta THE STATESMAN in English 1 Sep 81 p 9

[Article by K. K. Sharma]

[Text] New Delhi, Aug 31--India's foreign exchange reserves have suddenly plummeted. Towards the middle of August they had dwindled by more than Rs 500 crores in just eight weeks, more than double the rate of the decline in previous months.

What is more, Rs 400 crores of the fall was due to disinvestment of the large amounts held in the form of income-yielding foreign securities that have been built up to high levels over the past five or six years.

That the Government now feels it necessary to dip into these profitable reserves indicates the serious balance of payments position, the dimensions of which are now becoming clear and explain the decision to borrow heavily from the International Monetary Fund and the world capital markets.

Part of the decline can be attributed to the purchase and import of wheat, edible oil and sugar in substantial quantities to improve supplies and check the rise in prices. But obviously, the heavy trade gap--estimated at more than Rs 5,500 crores in 1980-81--is increasing and eroding the reserves at a time when earnings from "invisibles" (such as remittances from Indians abroad) have reached a plateau.

The reserves declined by Rs 526.36 crores from June 26 to August 14. This compares with a fall of just Rs 270.33 crores in the same period last year. If this trend persists, the reserves will be falling at twice the rate as last year.

It is possible that the actual decline--which was thought to be just more than Rs 100 crores a month--has become clearer now that the agitation in the Reserve Bank has ended and it is catching up with work left undone for more than three months in many of its branches. A more realistic picture has now emerged.

Foreign exchange reserves stand at around Rs 3,600 crores if the value of gold held by the Reserve Bank is taken into account. After the drop of Rs 400 crores in foreign securities, these now account for Rs 1,964.06 crores of the reserves while balances held abroad amount to Rs 1,441.43 crores.

RSS REPORTED CAMPAIGNING AGAINST CONVERSIONS

New Delhi PATRIOT in English 2 Sep 81 p 4

[Text] Bangalore, Sept 1 (IPA)--The Rashtriya Swayamsevak Sangh has undertaken to run a nationwide campaign against conversions, taking advantage of the Meenakshipuram conversions case, according to knowledgeable RSS sources here.

Guidelines have been sent to all political, social and other mass organisations owing allegiance to the RSS, to take up the anti-conversion movement on a priority basis in their respective spheres.

The Meenakshipuram incident would seem to have provided the much-needed boost to the RSS activity, especially in the southern States and more so in Tamil Nadu where the RSS so long found it difficult to make any headway.

According to these sources, the RSS expects that the BJP and its mass fronts as well as the RSS-led mass fronts such as the BMS and the ABVP should integrate the anti-conversion campaign in their day-to-day work. It believes that the nationwide focus on Meenakshipuram conversions has already created a favourable ground for the RSS and its like-minded organisations to register further advance among the Hindu population.

These sources were confident that if a concerted campaign was built on this issue a vertical communal polarisation could be usefully affected as between the Hindus on one side and the Muslims and Christians on the other. This is evident from the guidelines which point out that "as the Hindus numbers decline and that of the non-Hindus increase, threat to our national security and integrity will result as surely as day follows night."

What is significant about these guidelines is that they have stated the oft-repeated RSS thesis on the partition of India to have been the result of "non-Hindu members" on the soil of once united India, it remains completely silent about the conspiracies of the then British rulers. "The armed insurgency in our North Eastern parts such as Nagaland, Mizoram Meghalaya etc." is attributed to being "a direct result of Christian conversions there." The RSS has also exhorted that "rise in Muslim population in any part (of the country) leads to violent, anti-Hindu attacks, creating lawlessness and anarchy there." It has not cared to substantiate the wild charge.

There is yet another aspect of the RSS overnight awareness of the "dangers" stated to be inherent in the conversion of Harijans. It concedes now that certain "evils of inequality have crept into the Hindu society and has therefore pleaded with the religious heads of the Hindu society like "Mathandhipatis" to move into every hamlet and "declare that every temple, every well and every place of public utility be thrown open to all Hindus." What is remarkable in this concept is that it completely ignores the economic inequalities afflicting the so-called "untouchables."

The RSS has said that though "time is running out fast" and work of eradication of every form of social and religious inequality needs to be undertaken on a "war-footing," there is no doubt that even now "circumstances are in our favour." It says the religious and cultural attachment of the overwhelming majority of Harijans-Hindus for the Hindu Samaj and Hindu dharma remains firm.

CSO: 4220/7677

PUBLIC SECTOR UNITS REPORTEDLY SUFFER HEAVY LOSSES

Calcutta THE STATESMAN in English 1 Sep 81 p 3

[Text] Cumulative losses suffered by at least 32 important public sector units have risen to such a staggering figure as to exceed the total paid-up capital of such companies by crores of rupees, according to the latest report of the Comptroller and Auditor General of India.

While the total paid-up capital of these 32 units are recorded at Rs 458.22 crores (as on March 31, 1980), cumulative losses suffered by them now stand at Rs 998.72 crores. The poor performance of the public sector undertakings is no longer a secret. But what concerns the authorities most is the fact that their performance is not showing signs of recovery. The units in the coal, engineering and textile sectors continue to incur losses with low production, growing idle capacity, mismanagement and labour troubles.

The Heavy Engineering Corporation at Ranchi, which was incorporated in 1958 with a paid-up capital of Rs 161.79 crores, has suffered a total loss of Rs 204.81 crores. The story of the Mining and Allied Machinery Corporation at Durgapur is no less pathetic considering the fact that it was set up as a pioneer unit to manufacture vitally needed mining equipment. Its cumulative losses have risen to Rs 79.30 crores against the paid-up capital of Rs 43.80 crores. Bharat Coking Coal has incurred a staggering cumulative loss of Rs 245.80 crores, whereas its paid-up capital is stated to be Rs 65.69 crores.

Cumulative losses of some of the public sector units are as follows with the figures in brackets indicating their paid up capital: Artificial Limbs Manufacturing Corporation--Rs 2.82 crores (Rs 52 lakhs); Burn Standard Company--Rs 31.11 crores (Rs 9.04 crores); Bharat Ophthalmic Glass Company--Rs 10.49 crores (Rs 5.56 crores); Central Inland Water Transport Corporation--Rs 43.22 crores (Rs 11.44 crores); National Textile Corporation (West Bengal, Assam, Bihar and Orissa)--Rs 54.75 crores (Rs 22.66 crores); Scooters India--Rs 19.17 crores (Rs 5.13 crores); the Mogul Line--Rs 23.04 crores (Rs 1.01 crores).

According to informed sources a number of public sector units have been operating without chief executive for quite some time now. The Public Enterprises Selection Board has been formed to fill the vacant posts at the top, but the situation has not improved much.

CSO: 4220/7673

BRIEFS

FOREIGN AID UTILIZATION--New Delhi Aug 27--There was no definite evidence to support that foreign money received by about 5,000 cultural organisations was being utilised for conversion and creating communal tension in the country Mr Yogendra Makwana, Minister of State for Home Affairs, said in the Rajya Sabha today. He told Mr Hukmedo Narayan Yadav in a written reply that during 1977 a total sum of Rs 1,24,63,22,708 was received for social, religious, charitable and missionary purposes from the U.S., West Germany, United Kingdom, Saudi Arabia, Kuwait, Switzerland, France, UAE, Canada, Italy, Holland and Australia. Returns for the years 1978, 1979, 1980 and the half year ended June 30, 1981 had been received and were being processed, he added. [Excerpt] [Madras THE HINDU in English 28 Aug 81 p 9]

LEADER OF JANATA PARTY--New Delhi, Aug. 27--Mr Ravindra Varma was elected deputy leader at a meeting of the Janata Parliamentary Party here today. Mr Varma polled 12 votes against 11 by Dr Subramaniam Swamy. Mr Madhu Dandavate, leader of the Parliamentary Party, presided. Among those, who turned up to cast their votes was Mr Chandra Shekhar. According to Dr Swamy, an attempt was made at the meeting to make the election unanimous. He saw no reason why Mr Varma, who is General Secretary of the Janata Party, should have contested the post of Deputy Parliamentary Party leader. [Text] [Madras THE HINDU in English 28 Aug 81 p 9]

CONGRESS-U RESIGNATION--Mr Bhim Singh, member of the Jammu and Kashmir Assembly, has resigned from the joint secretaryship of the All-India Cong-U Committee, reports PTI. He has alleged that acting party president Sharad Pawar and his supporters were "determined to surrender" the party to Mrs Gandhi for "personal and political gain." [Text] [New Delhi PATRIOT in English 28 Aug 81 p 1]

EXPORTS TO CUBA--Bombay, August 28--There is a good potential for considerably expanding India's engineering exports to Cuba through a tripartite arrangement involving the Soviet Union. This was stated by Mr P.M.S. Malik who was till recently India's ambassador to Cuba, while addressing a meeting of AIEI members in the association's Bombay office. Mr Malik informed members of the association that while the volume of direct visible trade to Cuba was very small, considerable exports to Cuba were taking place through third countries. For example, hand tools valued at over \$1 million were being exported through U.K. and West Germany. Similarly, equipment for projects were going in through the U.S.S.R.

India's engineering exports to Cuba can be easily stepped up to \$15 to 20 million per annum through a tripartite arrangement involving the Soviet Union, Mr Malik felt. Besides wishing to purchase Indian engineering products for use in Cuba itself, the Cuban organisations would be interested in procuring Indian goods and services for third country projects in which Cuba was involved. [Text] [Bombay THE TIMES OF INDIA in English 29 Aug 81 p 10]

EASTERN COMMAND CHIEF--New Delhi, Aug 28--Lieutenant-General K. Chiman Singh has taken over as Chief of Staff, Eastern Command, Calcutta, reports PTI. [Text] [Calcutta THE STATESMAN in English 29 Aug 81 p 1]

SHIPMENT TO RUSSIA--The Mining and Allied Machinery Corporation, A Government of India undertaking, shipped its first consignment of exports to Soviet Russia from Calcutta port on Friday. The shipment was part of an order valued at Rs 27.19 crores, the corporation received from Soviet Russia. The first consignment consisted of 101 drums for conveyors, some more drums and "idlers" would be sent next month. The entire order is expected to be executed by 1983-84. A spokesman of the corporation said that the Russians had indicated the possibility of placing additional orders worth over Rs 10 crores with the corporation. The MAMC has already executed export orders to Afghanistan, Turkey, Indonesia, Syria and West Germany. Apart from the Russian order, it is currently executing an order worth Rs 6.83 crores received from National Thermal Power Corporation, Korba, on International Development Agency credit. The corporation has now in hand domestic orders worth Rs 92 crores. Although set up with Soviet assistance, the corporation is now expanding in collaboration with Polish, West German and U.K. firms. [Text] [Calcutta THE STATESMAN in English 29 Aug 81 p 3]

BURMAH OIL PURCHASE--New Delhi, Aug 28--India will pay Rs 21.56 crores free of taxes to the Burmah Oil Company Ltd of the U.K. to end the last vestiges of foreign control over crude oil and gas in India and their production and distribution. The payment--to be made by October 15--is provided for by a Bill introduced in the Lok Sabha today by Mr P. C. Sethi, Minister of Petroleum, Chemicals and Fertilizers. The transnational company still controls "a significant portion" of petroleum products produced, marketed and distributed in India. Under the Bill, 50 per cent of the shares the company owns in Oil India Ltd will be transferred to the Government of India, making the company fully national. Assam Oil and the marketing assets it rented from Burmah Oil Company (India trading) Ltd will be vested in a Government company or Government companies by notification. The services of their employees are to be transferred to the new company or companies. Their contracts for any service, sale or supply in India will be "continued." The Bill is to be taken up by the House next week.--PTI [Text] [Madras THE HINDU in English 29 Aug 81 p 7]

GANDHI TRAVEL PLANS--New Delhi, August 29 (UNI)--Mrs Indira Gandhi will pay a brief visit to Indonesia on her way to Melbourne next month to attend the Commonwealth conference. Mrs Gandhi is scheduled to stop over in Jakarta on September 23 and 24 in response to the invitation of the Indonesian President, Gen. Suharto. After visiting the Fiji islands and Tonga, Mrs Gandhi will reach Melbourne on September 29, a day before the inaugural session of the Commonwealth conference. Mrs Gandhi, who is scheduled to stay on in Australia till October 7, will visit the Philippines on October 8 and 9 before returning to New Delhi on October 9 night. [Text] [Bombay THE TIMES OF INDIA in English 30 Aug 81 p 6]

DESAI ON PAKISTAN--Bombay, August 29--The former Prime Minister, Mr Morarji Desai, justified Pakistan arming itself to face the threat posed by the Soviet aggression on Afghanistan. He said that Mrs Gandhi was unnecessarily bothered by Pakistan arming itself. Addressing a seminar on "India's security in the context of occupation of Afghanistan," organised here today by the Hindustani Andolan. Mr Desai asked, "What right we have to voice against that country's defence requirements when we had also ourselves sought weapons from other countries." Agreeing with the view that Pakistan had attacked India earlier on more than one occasion, he said that country had learnt a lesson and would not dare another attack. [Text] [Bombay THE TIMES OF INDIA in English 30 Aug 81 p 9]

CONGRESS-U PARLIAMENTARY CHIEF--Bombay, August 29--Dr Padamsinha Patil, former minister, was elected president of the MPCC(S) at a meeting today. Dr Patil, 41 and MLA, belongs to Ter town in Osmanabad district of Marathwada. He was minister of state for energy and prohibition during Mr Sharad Pawar's chief ministership. The announcement of Mr Patil's election was made at a newsconference by Mr Sharad Pawar, president of the Congress(S). The name for the presidentship was proposed by Mr Datta Meghe and was seconded by Mr Prabhakar Dharkar. Apart from executive members, the gathering of 200 at the meeting included district presidents, according to Mr Pawar. According to informed sources, there were some other aspirants for the post and the choice was finally made after considerable discussion. The presidential election was caused by the resignation of Mr Sharad Pawar following his election as the president of the Congress(S). [Text] [Bombay THE TIMES OF INDIA in English 30 Aug 81 p 9]

ASSAM STUDENTS' STAND--Gauhati, Aug 29--The All-Assam Students Union today reaffirmed its stand that it was not prepared to allow even a single foreigner in Assam who had entered the State between 1961-71, reports UNI. The AASU executive, which met here today inconclusively, discussed in details the latest proposals put forward by the Government in the last talks. In a statement, the AASU general secretary, Mr Bhrigu Kumar Phukau said the agitators did not subscribe to the Government's views on the dispersal of the 1961-71 stream of foreigners from the State. The executive which would resume its meeting tomorrow, would take a decision on the Government proposals, he said. The AASU would formulate a policy for the detection and distribution of 1961-71 foreigners in other parts of the country, he added. [Text] [Calcutta THE SUNDAY STATESMAN in English 30 Aug 81 p 7]

LAW COMMISSION MEMBERS--New Delhi, Aug. 29--Mr K. K. Mathew, retired Judge of the Supreme Court, will head the reconstituted Law Commission. The two other members will be Narullah Beg, former Chief Justice of the Allahabad High Court. An official announcement is expected soon. The long-delayed decision puts an end to the uncertainty that had prevailed since the expiry of the term of the last Commission on August 31, 1980, and had been the subject of critical comment. This will be the ninth Law Commission and, as in the past, will be reporting to the Government on specific subjects referred to it, particularly suggesting revision of the Central laws of general importance, with a view to simplifying the texts and removing anomalies and ambiguities. The last commission was formed in September 1977, during the Janata regime with Mr H. R. Khanna, formerly of the Supreme Court as Chairman. After the collapse of the Janata Government, Mr Khanna was included by Mr Charan Singh in his Cabinet as Law Minister, but he resigned after one or two days. [Text] [Madras THE HINDU in English 30 Aug 81 p 1]

GODAVARI EXPLORATION AID--New Delhi, August 30 (PTI)--A \$120-million loan for the Godavari oil exploration programme is being negotiated with the World Bank. The loan, it is learnt, will cover part of the survey work of the Oil and Natural Gas Commission both in the onshore and offshore areas. An appraisal team from the World Bank had already had discussions with concerned officials. Further details will be worked out in October. The loan will finance a 2,000-km. seismic survey--and cover drilling of six wells, including three wells in Godavari offshore. Prospects of oil in the Godavari basin appeared encouraging with oil and gas find in the first offshore well drilled by the ONGC last September and earlier an "oil gush" from an exploratory well near Narsapur. Meanwhile, the offshore exploratory drilling in the Godavari basin will be resumed at the end of the year. A total of three wells had already been drilled in the offshore area. The second proved abortive. During exploratory drilling in the third well, costly equipment was lost in the swift current. [Text] [Bombay THE TIMES OF INDIA in English 31 Aug 81 p 1]

SOUTHERN COMMAND CHIEF--New Delhi, August 30 (PTI)--Lieutenant-General T. S. Oberoi will take over as general officer commanding-in-chief, Southern Command, on September 1, from Lieutenant-general R. D. Hira who is retiring after 39 years of distinguished service, says an official release. Born on November 8, 1926, General Tirath Singh Oberoi served with the United Nations emergency force in Egypt between December 1956 and February 1958. General Oberoi was awarded the vitchakra for gallantry during Jammu and Kashmir operations in 1948 and the param vishisht seva medal in 1981 for distinguished service of the most exceptional order. [Text] [Bombay THE TIMES OF INDIA in English 31 Aug 81 p 15]

YOUTH CONGRESS SECRETARY--New Delhi, August 31 (PTI)--Mr Satish Verma was today removed from the secretaryship of the Indian Youth Congress by its president, Mr Suresh Kalmadi. He was earlier warned by the president to refrain from anti-party activities, and hobnobbing with the erstwhile Congress leaders, who were earlier removed from the party. Mr Verma had even refused to respond to the show-cause notice that had been served on him by the Youth Congress president, according to an IYC press release. [Text] [Bombay THE TIMES OF INDIA in English 1 Sep 81 p 1]

INDO-UAE JOINT PANEL--Abu Dhabi, August 31 (UNI)--The Indo-UAE joint commission will meet here in December to review the progress of the bilateral economic relations, the ambassador, Mr Lalit Mansingh, told UNI today. Mr. Mansingh said the exact date and agenda would be fixed soon. The two sides would be represented by their respective external affairs ministers. The last sitting of the commission was held at New Delhi in December last year. The ambassador had conferred yesterday with the director, Mr Khalifa Al Yousif, of the UAE foreign ministry's economic department, about the commission. A key subject at the discussion was the follow-up on the proposed joint refinery project and the setting up of the joint investment company with equity participation for both sides. Mr Mansingh said the company would look after not only joint ventures in India and the UAE but also in other third world countries. [Text] [Bombay THE TIMES OF INDIA in English 1 Sep 81 p 15]

MAHARASHTRA MINISTER DISMISSED--Bombay, Aug 31--The Maharashtra Revenue Minister, Mrs Shalini Patil, was today dismissed from the State Cabinet, reports UNI. This was announced at a hurriedly convened Press conference by the Chief Minister, Mr A. R. Antulay. Mr Antulay said just after an emergency Cabinet meeting that Mrs Patil had refused to accept his request to step down. The State Finance Minister Mr Ramrao Adik, and the Law Minister, Babasaheb Bhosale, had earlier conveyed Mr Antulay's request to her. The Chief Minister said: "I recommended to the Governor to dismiss her following her refusal to step down." The development follows Mrs Patil's statement at Kolhapur yesterday that whatever money had been collected from sugarcane growers "without their consent" had to be refunded in view of the controversy over the collection of donations for the Indira Pratibha Pratisthan and various other public charitable trusts. [Excerpt] [Calcutta THE STATESMAN in English 1 Sep 81 p 1]

NAGA PANEL FORMED--Kohima, Aug 31--A meeting of Naga National Council workers has formed a 12-member committee "to contact various parties to acquaint them with its resolutions," reports UNI. The meeting was held last week in a village near Kohima. It denounced the Shillong Accord signed in November 1975. The NCC Press release said that the resolution denouncing the Shillong Accord was passed "without any ulterior motive, but to find a workable solution to restore peace between the Government of India and the Naga people." [Text] [Calcutta THE STATESMAN in English 1 Sep 81 p 9]

NEW ZEALAND ENVOY--New Zealand High Commissioner Barry Hewitt Brooks, presented his credentials to President N. Sanjiva Reddy, at Rashtrapati Bhavan, on Monday, reports PTI. Welcoming the New High Commissioner, the President expressed the hope that the volume of Indo-New Zealand bilateral trade would increase further and the general tenor and substance of their relationship will be greatly enhanced as a result of cooperation. Presenting his credentials Mr Brooks referred to the many and varied ties that link India and New Zealand and said that New Zealand share with India 'a democratic process of electing those who shall govern us and an organisation of society based upon the rule of law.' [Text] [New Delhi PATRIOT in English 1 Sep 81 p 8]

CHIEFS OF STAFF CHAIRMAN--Admiral R. L. Pereira, Chief of the Naval Staff has taken over as chairman of the Chiefs of Staff Committee in the Ministry of Defence on retirement of Air Chief Marshal L. H. Latif with effect from Tuesday, reports UNI. [Text] [New Delhi PATRIOT in English 2 Sep 81 p 7]

CSO: 4220/7678

PARLIAMENT NOT PROPER VEHICLE FOR SETTLEMENT OF LABOR DISPUTES

FBSI, SBLP Criticized

Jakarta KOMPAS in Indonesian 8 Jul 81 pp 1, 9

[Excerpt] The FBSI (All Indonesia Labor Federation and the SBLP (Work Fields Workers Union) have been instructed to intensify the giving of explanation to their members about the necessity to understand the order of steps to be taken to solve problems and grievances that arise at the companies where they work. Minister of Nakertrans (manpower and transmigration) Harun Zain said this after meeting with President Suharto at the Bina Graha on 7 July.

According to Harun Zain, President Suharto asked him to try to explain to workers, particularly those on the lowest levels, that the DPR (Parliament) is a political institution. However, the labor problems which are being brought to the DPR aren't political problems. "So, don't go to the DPR too quickly," Harun Zain said.

He explained that President Suharto also requested that he explain to the FBSI and SBLP that they should not take non-political problems too quickly to the institution whose scope is political. In addition, President Suharto also asked him to explain to Indonesian workers the steps that must be taken in accord with regulations and laws, because this touches on technical procedure, the minister said.

According to the minister, conflicts between workers and employers ought to be settled first through the P4D [regional committee for settlement of labor disputes]. If no solution is possible on this level, then the matter should be taken to the P4P [national committee for settlement of labor disputes]. The decision of the P4P must be carried out by the company involved. If the parties to the problem won't carry out the decision of the P4P then the courts can be asked to carry out the implementation.

On the other hand Minister Harun Zain asked businessmen not to take action too quickly in firing workers, because they should understand the regulations and labor laws along with their consequences, he said.

Answering a question, the minister said that when a problem is turned over to the DPR, it isn't sure to be automatically solved, because in the final instance

the DPR will go to the executive branch to ask about the problem.

The minister admitted that many workers don't understand the steps they should take if a conflict occurs with their company. So, it is the responsibility of the FBSI and it is the whole basis of the SBLP to explain this to their members. "It isn't often done," Harun Zain added.

FBSI Defends Record

Jakarta KOMPAS in Indonesian 9 Jul 81 pp 1, 12

[Excerpts] It is not true that labor conflicts are more often submitted to the DPR than settled by the FBSI. General chairman of the executive board of FBSI Agus Sudono said this in response to statements made by Minister of Nakertrans Harun Zain that non-political labor conflicts should not be taken directly to the DPR.

In his explanation given to KOMPAS Agus Sudono who was accompanied by other FBSI officials said that since FBSI was established 8 years ago some 20,222 labor dispute cases have been settled. These include firings, wage increases, promotions, separation pay cases, pensions, etc. On the other hand there have not been more than 50 cases that have been too difficult to be settled. These include the Hotel Horison case, the Van Houten chocolate factory case and the case of gambling casino employees that has been very much in the news of late.

He also explained that during these 8 years the FBSI has educated more than 12,000 cadres to explain workers rights and methods of solving conflicts according to procedures contained in the Pancasila [ideological basis of country] Worker Relations and Law number 22 of 1957 on conflicts along with Law number 12 of 1964 on firing of workers.

FBSI is in agreement with the call of the minister of Nakertrans that since some problems are technical in nature and the DPR is a legislative political body, disputes between workers and employers should be turned over to the P4D first. If they are not able to be solved on this level then they should be carried to the P4P level. Still he admits that the work of both the P4D and the P4P are slow in the processing of cases between workers and employers.

He explained that the P4D and the P4P have the right to make a decision. But they can't force the employer to carry out the decision. If the parties to the conflict don't want to carry out the decision, they they can ask for implementation by the courts. If the court decision isn't carried out, there are still no sanctions. In reaching a decision the P4D or P4P votes, and in this case there are five representatives of labor, five representatives of the government and five representat-ves of the employers. By the government is meant the department of Nakertrans and its technical department.

Employees of private companies whose workforce consists of a minimum of 15 workers (in accord with the results of the FBSI congress) are encouraged to become FBSI

members. The purpose is that if a conflict arises the FBSI could handle it. But this doesn't close the possibility for those who aren't FBSI members to have a defense if they ask help. If the FBSI isn't able to handle it, then the problem is turned over to the LBH (?) or to the DPR.

According to Agus Sudono when the workers of a company want to become FBSI members and are forbidden by their employer, then the employer can be charged because he is obstructing the right to organize contained in our constitution. Around 40 percent of the private employees have become FBSI members, according to Agus Sudono.

Labor Problems Team Formed

Jakarta KOMPAS in Indonesian 14 Jul 81 pp 1, 12

[Excerpts] Workers and employers throughout Indonesia who have problems can now get help from a team in solving their problems. The team, given the name The Team to Help with Labor Problems, has its basis in the ministerial directive of the minister of Nakertrans numbered KEP-82/MEN/1981 and dated 11 July 1981, was commissioned by Minister of Nakertrans Harun Zain, being witnessed to by Pangkopkamtib [Commander of the command to restore security and order] Admiral Sudono at the auditorium of the department of Nakertrans in Jakarta.

The composition of the team members to handle labor problems at the national level consists of among others representatives of employers (PUSP/Kadin), workers (FBSI) and the government. There will also be those officials appointed by Pangkopkamtib/ Ketua Opstib Pusat [Central security operations chairman]

The job of the team will be to help investigate, analyse and make proposals about needed steps to be taken to the minister of Nakertrans, in this case the director general of oversight of labor relations and the protection of the workforce to solve and settle strategic labor problems based on labor law regulations

In addition the team will receive, examine and analyse reports and information concerning labor disputes from the labor force and the mass media or from other sources. In carrying out its task, the team will be responsible to the minister of Nakertrans.

In his speech after the commissioning of the team, Minister of Nakertrans Harun Zain said the purpose in forming the team is to motivate the creation of labor relations based on the Pancasila in a more operational way.

According to the minister labor problems that occur don't always remain entirely in the form of social or economic ones. They can develop into security problems in society if not quickly settled.

The presence of economic recession and other economic developments will disrupt the steady flow of production and can eventually lead to the disruption in public security.

The minister said that since the Pancasila Labor relations concept was adopted in 1974, various workshops, symposiums, seminars and discussions have been conducted by both the public and the government. The results are expected to give guidelines to handle labor problems. Indonesia is now actively setting these up to increase prosperity.

Meanwhile in his instructions to the team Pangkopkamtib/Ketua Opstib Pusat Admiral Sudomo said that this new team that has been formed based on ministerial directive by the minister of Nakertrans isn't something new. Also it isn't something to compete with the existing organizations such as P4P or the P4D. This team will carry out its work to stop labor conflicts that arise as much as possible.

According to Sudomo, labor cases generally occur as a result of conflicts of interest between workers and employers or between workers and the government. If they aren't settled quickly the problems can get all out of proportion.

If that happens, according to Sudomo, normally Kopkamtib [command for the restoration of security and order] will become involved and settle them. But this isn't a security approach but is intended to create a calm situation, Sudomo said.

"The presence of Kopkamtib in the team to help in labor disputes isn't to intimidate," Sudomo said and this was greeted by laughter from those present.

The team will begin its work if it receives a report that at one company a labor problem has occurred. Then the team will report the results of its investigations to the minister of Nakertrans. If no solution is possible through discussions and agreement, then the matter will be turned over to the already existing P4P or P4D.

7785

CSO: 4213/88

GARUDA AIRWAYS IN MAJOR EXPANSION PROGRAM

Kuala Lumpur BUSINESS TIMES in English 13 Jul 81 p 6

[Article by Richard Cowper]

[Excerpts]

IN A country where appearances can be so important, the first thing many sizable Indonesian state enterprises do is build a large and prestigious head office. That Garuda International Airways — the national carrier of Indonesia — still operates from shabby pre-war Dutch-built offices in the commercial quarter of the city says a lot about Wiweko Supomo, who has run the company virtually single-handed since he took over in 1968.

Mr Wiweko's relentless push for expansion in the 1970s has turned an ailing company into one of the largest domestic airlines in Asia. The key to his success — at least in terms of size — has been twofold: first, he concentrated on tapping and developing the rambling Indonesian archipelago's enormous domestic base and then he ploughed the profits back into the company.

Until 1978, the company was still making reasonable overall profits.

Today, Garuda's position is no longer so comfortable. Rising fuel costs and worldwide recession have left few international airlines unscathed and Garuda, which runs the second largest commercial fleet in Asia, is no exception. In 1977, the company's net profits started falling from a

peak \$26.7 million, and by last year they had fallen to only \$347,000. Its worst result in more than a decade.

But Mr Wiweko, despite the hard times which have forced many of his competitors to take belt-tightening measures, has pressed ahead with a major buying spree which will roughly double his fleet's seat capacity in the space of just three years.

By the end of 1982, if everything goes according to schedule, Garuda will have 28 new aircraft, 17 of them wide-bodied jets. Last year, Garuda took delivery of four Jumbo jets, two DC-10s and five Fokker 28s; over the next two years it will get two more Jumbos, nine Airbus 300s and three more Fokker 28s.

This will push the company's fleet to 81 aircraft, 21 of them wide-bodied, at a cost of well over \$1 billion.

In 1980, Garuda carried around 4.7 million passengers. By 1985, it plans to be carrying more than 8 million, a feat that will be remarkable if it can be achieved in such troubled times.

Garuda's critics argue that the company is flying too high, too fast and could become a serious financial embarrassment to the Government. They point out that the

Government has already stepped in by agreeing to service part of the company's soaring debt.

In particular they question Garuda's attempts to expand its international base at a time when the company's international load factors have been running at around 40 per cent, well below its stated 50 per cent break-even point.

Mr Wiweko expects Garuda almost to break even again this year, but to make a net \$38 million loss in 1982, rising to a deficit of \$59 million in 1983.

"On existing premises, (that is no further new aeroplanes) with 15 per cent revenue growth, interest at 12.5 per cent and no explosion in costs, we expect to break even by 1985," says Mr Wiweko.

Mr Wiweko says he is budgeting for around 10 per cent growth in domestic passenger traffic over the next three or four years. This, he says, could go higher, given the success of the Government's mammoth transmigration programme to move 2.5 million people from overcrowded Java to the outer islands.

It is not the domestic expansion which is raising eyebrows, but Garuda's attempt to put itself more firmly on to the international map. In 1968, the company's revenue

was split 70 per cent domestic and 30 per cent ultimate international. Mr Wiweko's ultimate aim is to make it 60 per cent international and 40 per cent domestic.

In 1979, Garuda carried 780,000 international passengers (19 per cent of total passengers carried). The airline's aim is almost to treble this to 2.17 million by 1985 when international passengers are expected to account for some 37 per cent of total passenger traffic.

Garuda's international expansion, planned several years ago, could hardly have come at a less auspicious time. Rising fuel and operations costs coupled with cut-throat competition on international routes makes the current outlook much less rosy than in 1977.

Poor international load factors and the company's mounting debt resulting from the purchase of the new aircraft will undoubtedly put considerable strain on its balance sheet. Borrowings are expected to rise from \$25 million in 1979 to \$385 million by 1982 but the Government has agreed to inject \$300 million into the company over the next three years, most of which will be used to service debt. Interest charges last year were \$40 million and this is set to increase to \$103 million by 1983.

IMF ANALYSTS UPBEAT ON FUTURE OF ECONOMY

Bangkok THE NATION REVIEW in English 6 Aug 81 pp 10, 11

[Article by Thierry Jean Rommel, Economist of Division D, of the International Monetary Fund (IMF)'s Asian Department]

[Text]

WITH a per capita income of \$90 (1979 estimate), the Lao People's Democratic Republic is one of the poorest nations in the world. The country is landlocked and, except for a strip of varying width along the Mekong River, is mountainous.

Transport within the country, as well as to the sea, is difficult and costly. These geographical characteristics and the sparse population have resulted in a highly fragmented pattern of relatively isolated zones of economic activity. Agriculture absorbs most of the local labour force; industrial activity is minimal.

The low income of the country is also in part the result of Lao sociopolitical history. With some interruptions, Laos has been besieged by armed conflict over nearly three decades, leaving in its wake destruction of productive assets and profound structural distortion.

During these years the rural population, attracted by employment opportunities and safety, migrated in large numbers to the cities. While output in agriculture and forestry

— the mainstays of the economy — stagnated or fell, economic activity in the urban areas expanded rapidly because it was mainly geared to the servicing of the needs of a large high-income expatriate community and of a growing civil service.

Exports covered only 10 per cent of imports in the first half of the 1970s, and the current account deficit of the balance of payments, equivalent to about a quarter of gross national product (GNP) was entirely financed by aid programmes. Large aid programmes permitted Laos to absorb most of the liquidity in the economy through budget deficits, as well as to maintain an exchange and trade system relatively free of restrictions. The result was a reasonably good price performance.

The end of the conflict in Indochina in 1975 coincided with an abrupt reduc-

tion in both the size of the foreign community and external assistance from non-socialist countries. Simultaneously, local managers, trained civil servants, and foreign experts fled the country in large numbers, leaving behind a dismantled administration and an idled production base.

The priorities of the government that came into power at the end of 1975 and created the Lao People's Democratic Republic were the resettlement of nearly a third of the population in their areas of origin, the establishment of a new administration, the creation of job opportunities, and the revival of domestic production capacity.

Financial Instability, 1976 to Mid-1978.

Nearly half a million refugees were resettled in 1976 and 1977, and a new administrative system was set up. In line

with the official decision to transform the economy along socialist lines, the banking sector, foreign trade, and major industries passed into government hands in 1976.

The creation of cooperatives was encouraged in agriculture. The government launched a food distribution programme with low subsidized prices, mainly directed at the large population of civil servants and public sector employees in the urban areas. These achievements, as well as substantial salary adjustments for civil servants, resulted in massive increases in budgetary outlays in 1976 and 1977.

In view of declining external assistance and the adverse impact of the low levels of domestic activity and dutiable imports on government revenue, the recourse of the budget to the central bank expanded at very high rates.

Domestic liquidity rose by more than 70 per cent in 1977, after having more than doubled in 1976. A large part of the imports of food and oil products, which had been financed by foreign aid, had to be paid for in cash, compounding the problem of declining exports. Accordingly, the balance of payments registered substantial overall deficits, and gross official international reserves were virtually depleted by the end of 1977.

The import system was made progressively more restrictive, thus weakening further the overall supply situation and, in combination with high rates of monetary expansion, resulting in rates of inflation in the urban free markets of up to 300 per cent a year in both 1976 and 1977.

An attempt to restore economic stability through a devaluation of the kip and a demonetization in mid-1976 had only a limited and short-lived impact. These measures were not supported by effective steps to control budgetary expenditures, make pricing policies more flexible, and quickly pass on the effects of the devaluation to producers of exportables.

Efforts at Stabilization, 1978-79.

In the face of the deteriorating econo-

mic climate, the government in 1978 implemented a series of policies aimed at creating the conditions for a renewed growth of output and foreign trade.

These policies included the adoption of a less expansionary budget stance through cuts or delays in expenditure and revenue measures, such as the change-over from specific to ad valorem taxes; a 50 per cent devaluation of the national currency in terms of the US dollar; and several measures to increase agricultural production, including increases in the official procurement prices of agricultural products, a modest liberalization of internal trade in agricultural products, and the introduction of special import programmes of basic goods largely geared to the needs of the rural areas.

The main success of these policies was in the price and balance of payments areas, while economic growth performance was mixed. Prices on the free market remained virtually stable between May 1978 and the end of 1979, as the supply situation eased considerably because of the removal of controls on the circula-

tion of goods renewed border trade activities, and large-scale food assistance from abroad.

Economic Reforms of 1980.

Although progress had been achieved by the end of 1979 in several areas (output, exports, prices, and control of public outlays), the economy continued to suffer from low yields in agriculture, large urban unemployment, and severe price distortions.

Free market prices were still multiples of official prices, which discouraged output and exports and prevented an efficient allocation of budgetary resources.

Moreover, the Lao economy continued to rely heavily on foreign aid, which financed over 50 per cent of budgetary expenditures in 1979 and nearly two thirds of total imports. Finally, self-sufficiency in foodgrain was still to be achieved, so that imports of foodgrains — combined with a rising oil bill — had to be made at the expense of imports of essential raw materials and capital goods.

These shortcomings, and the related requirements for substantial policy changes, were recognized by the Lao Government and were the subject of much deliberation by the party central committee and the government.

A new policy guideline (Resolution of the Seventh Plenary of the Party Central Committee) was issued in November 1979, resulting in the introduction in late 1979 and early 1980 of major changes in virtually all policies.

First, official pricing policies were made more flexible and producer prices of agricultural produce and of exportables were raised by amounts ranging between 400 and 500 per cent to ensure a real increase in the purchasing power of producers, while special import programmes for farmers were implemented in 1980.

Second, the "kip national," was introduced in December 1979, when about 10 per cent of the stock of currency was eliminated. Third, the exchange rate of the kip was depreciated from KN4 to KN 10 per US dollar. Fourth, the authorities abolished all administrative barriers to the internal circulation of goods and liberalized private border trade. And fifth, the decision-making process in state enterprises was decentralized, providing them with more autonomy in daily management and, in particular, in foreign contracting.

The above set of policy changes formed the basis of a financial programme supported by a one-year stand-by arrange-

Laos: Government Budget
(million kips)

	1977	1978	1979	1980	1981
Revenue	82.4	105.7	268.0	748.2	930.0
Transfers from state enterprises	50.8	32.7	200.2	567.8	700.0
Taxes on the private sector	29.8	55.2	48.4	98.3	140.0
Other revenue	1.8	17.8	19.4	82.1	90.0
Expenditure	490.4	572.5	636.0	1,776.9	2,160.0
Current expenditure	298.5	384.0	393.9	1,028.0	1,210.0
Wages and salaries	...	105.0	114.0	343.0	...
Subsidies	...	168.0	165.0	68.0	...
Capital current expenditure	191.9	188.5	242.1	748.9	950.0
Overall deficit	-408.0	-466.8	-368.0	-1,028.7	-1,230.0
Financing	408.0	466.8	368.0	1,028.7	1,230.0
Central bank credit	50.7	35.8	13.6	-4.0	--
External resources	357.3	431.0	354.4	1,032.7	1,230.0

Data: Lao authorities

ment with the fund (June 1980-May 1981) in the amount of SDR 14 million, or 58 per cent of the country's quota.

Although it is too early to make a complete assessment of the impact of the reforms on economic performance, progress in some areas can be clearly identified.

Following an increase of 6 per cent in 1979, real GDP rose by 10 per cent in 1980, largely as a result of good rice crops and increased activity in some state enterprises because of an improved supply situation. Domestic rice production in the 1980/81 crop year increased by 15 per cent, so that for the first time in years foodgrain self-sufficiency will be nearly achieved in 1981.

The liberalization of border trade increased the incen-

tives to production and trade and helped to alleviate the shortages of raw materials and other inputs.

Outlook.

In its current development effort, Laos still faces major constraints, which take an added dimension in the still unsettled political climate of the whole Indochinese Peninsula. These include the shortage of skilled labour, the attendant low capacity to prepare and implement projects, and the limited domestic financial resources, as well as uncertainties about the availability and composition of foreign aid.

The country benefits however, from substantial resources, including abundant

timber reserves, a yet largely untapped hydroelectric power and mineral potential, and large areas of cultivable land.

Moreover, although the external debt is relatively large (\$250 million or 84 per cent of GNP), debt servicing is not a major constraint on the balance of payments because most of the debt is concessional in nature.

In addition to large assistance from socialist countries, Laos is also benefiting from the financial and technical assistance of its bilateral partners and of international organizations such as the Asian Development Bank (AsDB), the International Development Association (IDA), the UN Development Programme (UNDP), and the Fund

for Agricultural Development (FAD). Their assistance is concentrated mainly in the agricultural sector — including irrigation, flood control, and adoption of modern cultivation techniques — and in forestry.

At the same time, the creation of a joint World Bank-UNDP coordinating office in Vientiane will also help in project prepa-

ration and implementation and will ensure that aid programmes are well coordinated and adapted to needs.

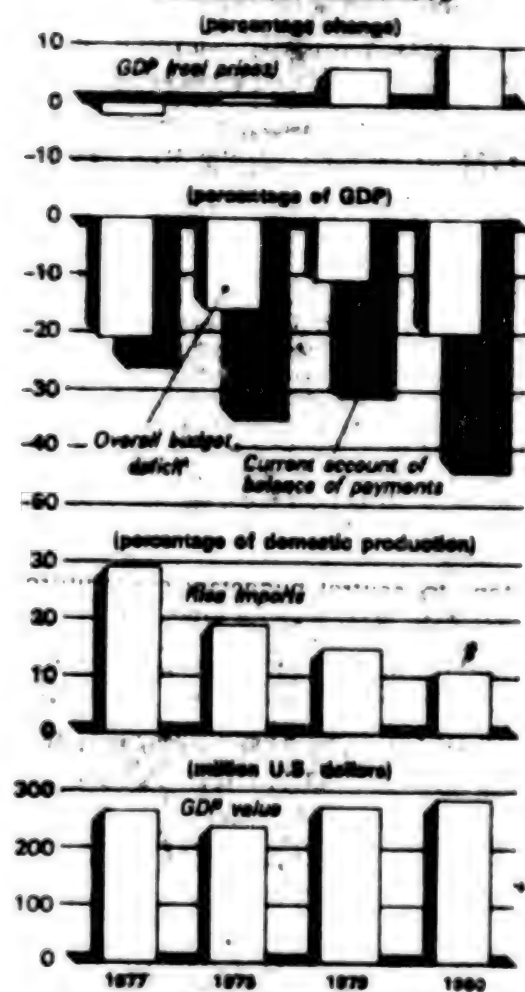
While the Lao authorities have shown decisiveness in promptly adjusting economic policies over the past two years, determined efforts and practical policy adaptations will be needed in the

years ahead. Progress on the economic front depends crucially on the capacity of the economy to earn foreign exchange and to generate more domestic savings.

The generation of domestic savings is taking on added urgency because the expected achievement of self-sufficiency in food will result

in losses of counterpart funds from foreign assistance and because past investments — in particular, in transportation, infrastructure, and education — will require growing maintenance outlays from the budget.

Laos: Selected Economic Indicators



¹ Before foreign financing of the budget deficit.

Data: Lao authorities; and Fund staff estimates.

TEACHERS, STUDENTS ABANDONING SCHOOLS FOR EMPLOYMENT

Vientiane SUKSA MAI in Lao May 81 p 16

[Council of Ministers Order No 33/SPhT]

[Text] This concerns the prohibition of teachers and students from teacher training schools at all levels from abandoning their duties for other employment.

To: All ministries, equivalent organizations and all provincial administrative committees throughout the country.

The Council of Ministers wishes to inform all concerned that at the present time there are offices of ministries, state enterprises and various branches which have hired teachers and students from teacher training school and teachers who had been teaching who fled their ranks and sought work in these offices without asking approval from the Ministry of Education. This induces other teachers and students still in school to leave their ranks and get other jobs. Activities like this will attract teachers and students from schools and will be destructive to education now so that it will not expand according to the goals of the party central committee.

Therefore the Standing Committee of the Council of Ministers recommended that all concerned inform their offices, organization, state enterprises, work shop or department under their supervision not to hire teachers or students from teacher-training schools who come looking for work without the permission of the Ministry of Education.

Those concerned should strictly obey this carefully as of the day this order was signed. Any one taken on afterward should be sent back to the Ministry of Education.

Vientiane, 13 February 1981

[Seal] Standing Committee of the Council of Ministers

Signed and sealed Nouhak Phoumsavan

8149

CSO: 4206/219

REACTIVATION OF MINISTRY OF NATIONAL, RURAL DEVELOPMENT

Kuala Lumpur BUSINESS TIMES in English 29 Jul 81 p 6

[Excerpts]

THE newly reactivated Ministry of National and Rural Development will have wide supervisory and monitoring powers over social and economic programmes of the country.

At any one time, the ministry can be expected to have under its supervision over 20,000 development projects, both physical and non-physical.

By physical it is meant those projects which involve the construction of one form of structure or the other. Non-physical projects include such activities as gotong royong, seminars and courses.

They are the projects presently being monitored by the Implementation and Coordination Unit, which was transferred from the Prime Minister's Department to the new ministry.

According to informed sources, the operations of the new ministry can be classified into five broad areas:

- Implementing and supervising projects and programmes that will eventually lead to the restructuring of society as envisaged in the New Economic Policy;

- Eradicating poverty through the implementation, either by itself or by other ministries, of social and economic projects and programmes;

- Supervising the implementation of rural infrastructural projects such as rural roads, bridges, rural electrifica-

tion and water supply;

- Supervising the operations of the national computer centre; and

- Supervision of public sector corporations which the government wants to make intensive use of for achieving the NEP target.

As for its own projects, the ministry is expected for the time being to confine itself to projects already being implemented by the agencies it has taken over.

The ministry, in line with Datuk Seri Dr Mahathir Mohamad's own thinking on small business, is expected to place heavy emphasis on the development of small Bumiputra businesses.

The ICU is already monitoring between 16,000 and 18,000 Bumiputra retailers with turnover ranging between \$7,000 and \$10,000 each a month.

Therefore, although Encik Sanusi Junid has been given charge of the ministry, both the Prime Minister and his deputy, Datuk Musa Hitam, are likely to be closely associated with the portfolio.

Although Bumiputras have made substantial gains in medium and large business and industrial projects by virtue of their professional qualifications or social standing, the success of Bumiputra retailers has not been up to mark.

Through a programme of encouraging and supporting Bumiputra retailers, Dr Mahathir hopes that

these people will gain enough expertise to go into larger business and industrial undertakings.

Recognising retailing as a business sector in which even those with limited capital can participate, the ministry is also expected to expand its assistance programmes.

Another category of business that will receive greater emphasis from the government through the ministry is hawking. Meant for both Bumiputras and non-Bumiputras, the assistance programme will include direct financial aid and the provision of facilities and equipment.

Under the Fourth Malaysia Plan, some \$50 million has been allocated for this purpose. Under this programme, assistance ranging from the provision of business premises to loans for the purchase of motorcycles is being provided.

At the village level, a new approach is expected to be adopted for both social and economic development projects. This is expected to be fashioned along South Korea's successful "Samacul Undong" or community development programme.

The brainchild of the late President Park Chung Hee, Samacul Undong stresses on self-help and cooperative effort in producing, processing and marketing village products.

One feature of rural development which the ministry will pursue is

increased processing of village products into semi-finished and finished products to enhance their marketability and demand.

With the Cooperative Development Department having been transferred from the Ministry of Agriculture to it, the National and Rural Development Ministry can make use of the movement as a vehicle to achieve this target.

But the ministry has to do a lot to improve the effectiveness of rural co-operatives. Although the concept is well understood among rural communities, past failures of co-operatives have caused farmers to shy away from them.

It is only with whole-hearted and renewed assistance of the government that the movement can be successfully revived in villages. Most co-operatives are in dire need of financial backing and good management.

Another important feature in national and rural development under the new administration is the infusion of independent attitude and discipline.

Dr Mahathir is worried that the Malays are becoming too dependent on the government. Instead of using government assistance to strengthen their economy so that they can stand on their own, an alarming proportion of Malays appears to think that the government must forever assist them.

PRIVATE FIRM TO MANAGE SABAH LAND DEVELOPMENT BOARD

Kuala Lumpur NEW STRAITS TIMES in English 21 Jul 81 p 1

[Text]

KOTA KINABALU, Mon. — Sime Darby Berhad today signed an agreement with the Sabah Government under which it will take over the management of the trouble-plagued Sabah Land Development Board (SLDB).

Chief Minister Datuk Harris Salleh signed for the State Government while Sime Darby chairman Tun Tan Siew Sin represented Sime Darby at the ceremony held at the State Cabinet room.

Datuk Harris described the agreement as an "unusual step for the State Government to

take", while Tun Tan said Sime Darby would have to "mount a massive and an almost super-human effort to put things right".

The scope of Sime Darby's management responsibilities covers about 102,000 acres of agricultural land, mostly oil palm plantations, six palm oil mills, three bulking installations, along with the administration of settlement schemes.

Sime Darby's tasks include the overhauling of the board's administration, formulating a system of planning and budgetary control, reorganising the estates, improvement of production and the marketing of the agricultural produce.

Sime Darby will be responsible for the board's management for an initial period of three years beginning on Oct. 1.

In his speech at the signing, Datuk Harris disclosed that last year alone the SLDB lost at least \$30 million in revenue because of low production which fell far below expectations.

The SLDB, which was entrusted with the task of raising the incomes and living standards of the people through large-scale land development and resettlement, had "failed miserably" due to poor management, he added.

He said spiralling administrative costs and falling productivity had slowed down the tempo of land development in Sabah to an alarming extent while the financial position of the settlers had deteriorated rather than improved.

Contracts

"From our investigations, we have found that some of the contracts awarded by the SLDB had been over-priced and most of them were poorly specified and supervised," he said.

Datuk Harris pointed out that if the prevailing deplorable state of affairs in SLDB was allowed to go unchecked, there was no foretelling the size of the financial disaster that would befall the many thousands of settlers in the land schemes as well as to the Sabah Government.

"To have the SLDB continue in its present state with a target of 100,000 acres of land to be developed at an estimated cost of \$1 billion over the next five years would have been utterly wrong," he said.

TUN MUSTAPHA TO RESUME LEADERSHIP OF SABAH PARTY

Kuala Belait BORNEO BULLETIN in English 27 Jun 81 p 2

[Text]

KOTA KINABALU. — The scene is all set for the return of former Chief Minister Tun Datuk Haji Mustapha to again take over the reins of leadership in the opposition United Sabah National Organisation.

Following an indication of widespread support given by its branches, the party's congress here last weekend endorsed his appointment.

Tan Sri Syed Keruak, the man who led the party in its defeat at the March state elections, stepped down to make way for 62-year-old Tun Mustapha as party president.

But the appointment of the ex-leader had its touch of drama.

From London, where he now lives (he has been seldom seen in Sabah), he at first indicated he wouldn't accept the nomination, declaring he was through with active politics.

Then a day before the two-day congress, he made an abrupt about turn and accepted the plea to come back and help his troubled, Muslim-based party, which he headed until Berjaya was swept into office in 1976.

Tun Mustapha accep-

ted the nomination through his brother, Datu Abdul Salam, member of the Sabah Assembly for Banggi — one of only three seats retained by USNO in this year's polls and Tun Mustapha's old seat.

Party vice-president Datuk Dzulkifli Abdul Hamid was also nominated for the presidential position but withdrew at the last minute. He was, however, returned unopposed as deputy president.

His presidential nomination came from the Papar division of the party; commentators said

Datuk Dzulkifli was a standby in case Tun Mustapha refused completely.

Several former party stalwarts declined nominations for positions.

Among those leaders no longer in USNO's supreme council are Tan Sri Syed, Datuk Ghani Gilong, Datuk Askhar Hasbollah, Datuk Idrus Matakim, Datuk Herman Luping and Encik Sabdin Ghani.

But they pledged their continued support as ordinary members.

Datuk Ghani, a former USNO strongman who lost his Kundasang seat

in the elections, spoke to the congress of USNO's determination to return to power in Sabah. He said that under the new leadership the party would launch a fresh struggle to upstage the government at the next elections.

He called on members not to be alarmed by USNO's heavy defeat this year but instead to pool their resources and prepare a new strategy for the battle ahead.

During the congress, Encik Sabdin said that instead of blaming former USNO strategist and adviser Datuk Syed Kechik, the party should be thankful to him as the man who had provided the necessary finance. He had come to the party in its time of need.

The congress adopted a resolution urging the federal government to allow USNO representation in federal Cabinet and Senate posts — representation for it at this level should reflect what was allowed for other component National Front parties.

USNO has four members of Parliament.

PRIME MINISTER DOES NOT FORESEE RE-EMERGENCE OF PARTIES

Kuala Lumpur BUSINESS TIMES in English 7 Jul 81 p 6

[Article by Elizabeth Hawley in Katmandu]

[Text]

NEPAL now has its first elected government in more than two decades but pressure for further political reforms in the tiny, landlocked Himalayan kingdom is expected to continue.

Diplomats believe that within a year or two political parties would stage a comeback after being outlawed more than 20 years ago. But other observers of the Nepalese scene think it to be too optimistic a view.

The strongest attempt so far by opposition politicians to revive political parties was defeated in a nationwide referendum last year when the vote went solidly in favour of retaining the partyless system.

Nepal's new Prime Minister Surya Bahadur Thapa, the first for 22 years to be elected to the post, was a leading campaigner in the referendum to thwart any drastic alterations in the system.

Mr Thapa, 33, who was elected unopposed last month for a five-year term, told *Reuters* the re-emergence of political parties was out of the question.

He said multi-party advocates will soon realise the virtues of the present partyless system and join the political mainstream.

Mr Thapa, who nine years ago was jailed for demanding political changes, told reporters his government would ensure there were no obstacles for opposition politicians joining the partyless system.

He said his new cabinet included a politician who campaigned against the present system in the referendum.

Mr Kashi Nath Gautam, the Minister for Works and Transport, served in Nepal's only parliamentary-style government headed by Mr B.P. Koirala in 1959-60.

Mr Koirala was removed from office after King Mahendra, father of the present King Birendra, outlawed political parties.

He now leads the banned Nepal Congress and boycotted the elections in May, saying they were undemocratic.

The poll to the national legislature formed a crucial part of the constitutional reforms initiated after the referendum by the Western-educated King Birendra, the world's only Hindu monarch.

In the past, legislators were chosen by district councils. In the new constitution, instead of the King appointing the Prime Minister, the Assembly elected Mr Thapa. But political observers said the King did play a role in ensuring that the Prime Minister was the unanimous choice.

Mr Thapa, who was in office between January 1963 and April 1969, was recalled to the post 10 months later after student demonstrations erupted in Nepal.

The violence forced the King to order reforms which succeeded in blunting the thrust of the opposition campaign for changes within the country's monarchical system.

But students are restless again, demanding changes in the educational system. In coming months they are expected to force the pace of political changes in Nepal.

In the Assembly, Mr Thapa's government will have to cope with a small but effective group likely to be critical of his previous performance.

These members might work as an opposition to the government and gradually form themselves into a political force.

Mr Koirala has predicted that tensions between the Palace and the Assembly were likely to grow and so would differences between the newly-elected members and the banned political parties. — *Reuters*

ABBASI CLAIMS ISRAEL COULD START WORLD WAR III

Karachi MORNING NEWS in English 10 Sep 81 p 4

[Commentary by H. M. Abbasi: "Who May Start Third World War?"]

[Text] Wars have plagued mankind since the dawn of creation. Habil and Qabil, were own brothers--sons of Hazrat Adam. One killed the other. What is the age of the world--I have hardly any idea. A Swiss scholar has sorted out that mankind has managed to wage 14,500 wars, both small and large, during the last 10,000 years. We have had ten years' war, 30 years' war, 100 years' war, capped by the First and Second World Wars. Von Clausewitz, the famous Prussian military theorist, who had once defeated Napoleon, believes that war is a continuation of politics by other means. With births exceeding deaths per capita, some reputed thinkers have deemed wars a biological necessity.

Arab Peninsula has been the cauldron of constant wars, thanks to belligerent Israel. North Vietnam has been homicidal enough in South-East Asia. The Iran-Iraq war has been the bane of the Muslim society for the last eight months. The destruction of two Libyan fighters was a side show of the two love-lock parties. South Africa, the other day, deemed it fit to exhibit its mettle not only to Angola but to the entire Black Africa.

Testing Arms

Before the First World War, European Powers used to test their varied arms in the Balkan Peninsula and North Africa. Before the Second World War, they repeated the stunt in Spain. U.S. had their side show in Vietnam before the third world armageddon. Soviet Russia is having its experiments with conventional arms in Afghanistan.

When the third world war will start is more than I can predict. But the fact remains that once it starts, the entire west Russia, most of Europe, most of the north United States, a good bit of southern Canada will be wiped out within less than half hour. The nuclear blasts on Hiroshima on August 6, 1945 and on Nagasaki on August 9, 1945, had cost over a one lakh lives, within less than half an hour. But they were Sunday School outings compared to what current civilisation will undergo if the two superpowers in a fit of misadventure or absent-mindedness, released their nuclear missiles.

Mr Ronald Reagan, President of the United States, is committed to world peace. So I believe is Leonid Brezhnev. The efforts of the two superpowers to balance each other's strategic equation need only be with a view to provide mutual deterrent. In his visit to Washington around late June, 1973, Secretary-general Leonid Brezhnev and President Nixon had signed the strategic Arms Limitation Treaty, envisaging that the two countries will talk to each other, if their relations were likely to deteriorate. Then the SALT treaty was signed in Vienna, by President Carter and Mr Brezhnev. It has not been possible for the U.S. Congress to ratify it.

Here it may be recalled that Soviet Russia had delivered nuclear missiles to Cuba and had planted them there. When President Kennedy learnt of this he sent an ultimatum to the Soviet Union on October 22, 1962 wherein he had said: "Halt the above clandestine, reckless and provocative threat to world peace" Premier Khrushchev had done that.

Countries in West Europe, particularly West Germany, are worried. They want a meaningful dialogue between Washington and Moscow. Moscow, too is keen to talk to Washington. And earlier than later. But Ronald Reagan is taking time. He wants to talk to Moscow from a position of strength. For that purpose he, for the moment, is busy gingering up his strategic infrastructure. He will talk with Mr Brezhnev in December this year or early next year. It is a Must, to avoid turning most of Russia, Europe and North America into radioactive wasteland.

War With Stones

A military theoretician was once asked--when would the third world war begin? He had replied: "That I do not know. But this much I know that if the third world war occurs, the fourth world war will be fought with stones." Not necessarily. Since most of South America, Africa, South Asia, New Zealand and Australia will escape nuclear annihilation.

The peace-keeping forces of the United Nations are doing a splendid job in Kashmir, in Cyprus, in Lebanon and other tension-ridden areas. Hundreds of their personnel have been killed in the bargain. But when all is said and done the U.N., consisting of 150 sovereign States is an important organisation. If it could have some effective leverage, there would be some hope for the world, faced with atomic annihilation.

Mr A.J.P. Taylor, one of the topmost historians of the present time, believes that a world Government was the only way out. An ex-politician of Karachi is a keen advocate of the idea. But that is a too Olympian order. A healthy cooperation on a regional basis, amongst some neighbouring countries, could be a step in the right direction, as they have done in Western Europe. Some sort of E.E.C. obtains in South America and Africa too. But radical differences in the make-up of their Governments is the crux of the problem. A few countries are democratic, while the rest have regimented regimes. The same situation obtains in Africa.

Arab Disunity

There are over a dozen Arabic-speaking nations all the way from South-West Asia to North Africa. Unfortunately, there is little love lost amongst them. South Yemen has close links with Soviet Union. As far as Syria and Libya are concerned, the whisper of Moscow is the thunder of Damascus and Tripoli.

In our parts of South-East Asia, the hegemonist ambition of India is too forbidding a proposition for Pakistan, Nepal, Bangladesh, Burma and Ceylon to swallow.

World population is around 300 crore. Jews are less than one-and-a-half crore. But they are the world's most influential people. United States is the world's top country. But the whisper of Tel Aviv is the thunder of Washington.

Karl Marx, the sponsor of Communism, was a Zionist Jew. Lenin's mother was a Jewess. Most of those who had campaigned for and had forced the Communist ideology and regime on Russia were Jews, like Trotsky, Litvinoff, Yaroslosky, Kaganovitch, Radeck, Bela Kun and scores of others. It was Rothschild, Loeb and other fabulous Jewish international bankers of New York and West Europe who had financed the communist revolution in Russia. They had got back their millions from Lenin and his party with interest.

Even today, many top men of Kremlin are Jews. From amongst the white-skinned Jews in Israel, a majority are those who have come from the Soviet Union and Poland. Every year, Moscow allows thousands of Jews to migrate from Soviet Russia to Israel to strengthen the Zionist state.

It was the Jewish bankers and top Zionists who had manoeuvred the start of both the First and Second World Wars. Jews had killed Jesus Christ (peace be upon him). Jews have been killing the Christians--particularly torturing and murdering Christian children --in pursuance of their religious practices, for the last 2,000 years. Pogrom does not mean killing of Jews by the Christians. Pogrom is the history of millions of Christians killed by the Jews since Jesus Christ (peace be upon him).

Pre-Nazi Germany was Germany of the Jews, for its Jews and by the Jews. Hitler had merely tried to partly liberate the non-Jewish Germans from the slavery of the Jews. Hitler is not dead. His spirit is still alive. His Nazi party is functioning in West Germany so it is in Norway and Sweden. In France and Britain too. It is an exceedingly powerful party in the United States. They celebrate the anniversary of the birth of Herr Hitler every year, on April 20.

Jews and World War I

Coming to the first World War. It was a civil war of the Nordic races. Jews had started the massive genocide to destroy the maximum number of Christians. They had succeeded marvellously well.

The Jews had started the Second World War to finish Nazi Germany and make Soviet Russia the world's most powerful States. Jews never fail. What they want, they implement.

A word more. The Jews are tolerating West Germany, since they had forced Bonn to pay Israel a thousand million dollars as "Reparation," for what they allege Nazis had done to the Jews.

President Carter had proposed a Palestine state, long ago. Jews had him dismissed. And got Reagan elected. Leave alone the question that they are less than six millions in the United States--less than three percent of the population.

Ex-President Giscard was a bit pro-Arab. Jews had him kicked out and brought in Francois Mitterand. Leave alone that in France Jews are less than half a million.

Britain had given up its mandate of Palestine on May 15, 1948. Ben-Gurion had declared and announced the independence of the Republic of Israel a day earlier on May 14, 1948. The United States had cabled the recognition of the Zionist State within a few minutes of its declaration. The Soviet Union had done that a few minutes later. They were late by a few minutes.

If the Jews felt like starting the third world holocaust, there is nobody to stop them.

CSO: 4220/303

PAKISTAN

JAPAN GRANTS 2.35 BILLION YEN LOAN

Karachi MORNING NEWS in English 11 Sep 81 p 10

[Text] Islamabad, Sept. 10--Japan will provide a total of yen 2.35 billion (U.S. dollar 10.13 million) to Pakistan as grant assistance under three separate agreements signed here today, says an official handout.

The agreements were signed by Mr Tateo Suzuki, Ambassador of Japan, and Mr Ejaz Ahmed Naik, Secretary Economic Affairs Division on behalf of their respective governments.

The first agreement provides an amount of one billion yen (approximately 4.31 million U.S. dollars), to be used by the National Logistics Cell during the current year for the purchase of vehicles and road construction machinery and equipment from Japan. The machinery imported under the grant will be utilized for constructing new roads and highways as well as for improving the present ones, thus ensuring efficient transportation of cargo from Karachi to upcountry areas.

Under the second agreement the Government of Japan will make available one billion yen (U.S. dollars 4.31 million) for the purchase of educational and research equipment from Japan during the current fiscal year. The equipment imported under the grant will be placed at the disposal of centres of excellence established at various universities in Pakistan.

The third agreement provides for a grant of 350 million yen (U.S. dollar 1.51 million) to be made available to Pakistan during 1981-82 for the construction of a water supply system to benefit inhabitants of Saranan area in Baluchistan. The project, when completed will supply a total of 480,000 litres of water per day to a population of 25,000 persons, including 18,000 Afghan refugees in the Saranan camps.

It may be mentioned that the Government of Japan has pledged a total of over 8 billion yen as grant assistance to Pakistan for the 1981-82 fiscal year.

CSO: 4220/301

NEED TO CLOSE WIDENING TRADE GAP NOTED

Karachi ECONOMIC REVIEW in English Mar 81 pp 11-13

[Article: "The Ever Widening Trade Gap"]

[Text]

The trade gap was only \$ 930 million in 1975-76 which increased to Rs. 2375 million in 1979-80. It is estimated that trade gap in 1980-81 would be around \$ 2400 million. Exports are only 52% of the imports. There is need to close this ever widening trade gap.

Foreign trade of a country is closely related to its pattern of production. Composition of export and imports influence the pace of economic growth, which in turn determine the composition of exports and their growth rate. Economic situation of a country produce any one of the two trade patterns— one export oriented and the other import substitution determined. Those countries short of resources like Japan follow the first pattern and exports and imports form a high share of their GNP. On the other hand, the countries with rich natural resources like the USA and India try to exploit these to the maximum of their advantage and the foreign trade forms a small part of their GNP.

In this connection, Pakistan's commercial policy has not been in the best interest of the country. There is no doubt that the country is rich in agricultural including marine fisheries and mineral resources. She has been very slow to tap and exploit her mineral resources which are normally the backbone of the economic growth of a country. Imports of all sorts of consumer goods, capital goods and raw materials (including agricultural inputs) have been allowed indiscriminately to compete directly and indirectly with domestic products. In 33 years, the country had only three favourable balance of trade and during rest of the 30 years there have been heavy deficits. These deficits have been rising period after period and year after year. At present, exports account for less than 50 per cent of imports as shown in the following table.

BALANCE OF TRADE

(Value in \$ million)

Year	Imports	Exports	Balance	Export as % of Imports
1969-70	690	337	(-) 352	49
1972-73	797	817	(-) 20	102
1975-76	2067	1136	(-) 930	55
1977-78	2809	1311	(-) 1498	46
1978-79	3675	1709	(-) 1966	46
1979-80	4740	2364	(-) 2375	49
1980-81*	5000	2600	(-) 2400	52

*Estimated.

The deficit balance of trade has been financed from long-term loans and short-term credits in addition to small grants, which has resulted in the piling up of the foreign debts. At the end of 1979, the outstanding debt of Pakistan stood at \$ 8 billion, which constituted 32 per cent of the gross national product. The cost of foreign loans and credits has been rising. During 1979-80, repayments of loans and credits and interest on them constituted about 19 per cent of all foreign exchange earnings of the country and 37 per cent of visible exports.

The decade of 1970's and the year of 1980 have been inflation infested. The prices of commodities and goods and the current value of exports, continued to increase sharply. Between 1972 and 1979, global exports increased by 301 per cent from \$ 377 billion to 1507.7 billion. However, Pakistan's exports failed to keep pace with the universal trend. Her exports increased by less than 203 per cent from \$679 million in 1972 to \$ 2056 million in 1979. However, on the imports side, Pakistan's growth rate was faster than the global growth rate. During the same period world's imports increased by 297 per cent from \$ 388.5 billion to \$ 1544.2 billion. Pakistan's imports jumped by 508 per cent from \$ 666 million to \$ 4052 million.

LIBERAL IMPORT POLICY

Pakistan has been following a liberal import policy despite shortage of foreign exchange and rising import-export gap. There has been no check on the imports of consumer goods which continue unabated. Precious foreign exchange resources have been generated by the inflow of home remittances of Pakistanis working abroad to their families in Pakistan. At present, the annual inflow is estimated at \$ 1.7 billion a year. This inflow could still be increased if our planning and connected economic Ministries succeeded in diverting these resources to productive investment. As a result, much of the foreign exchange earnings are being used for the import of luxury goods like motor cars, tape recorders, costly radio sets and television sets.

During 1979-80, the imports of motor cars alone were valued at Rs. 392 million. These cars were imported at a time when the prices of crude petroleum and products were arising. Heavy imports of crude petroleum and products mean sizeable increase in foreign exchange liabilities. For 1980-81, value of oil imports is likely to exceed \$ 1500 million. Pakistan could allow imports of commercial vehicles like buses, trucks, mini-buses and pick-ups to handle the growing traffic in urban centres and between cities and towns.

The share of consumer goods in total imports continue to remain high. Only in 1979-80, there was some reduction. Unfortunately, most of the consumer goods are of agricultural origin like food grains, milk and milk products, sugar, tea, spices and several other things. For an agricultural economy like Pakistan, these imports are not desirable. The share of consumer goods in total imports increased from less than 20 per cent in 1977-78 to 21.55 per cent in 1978-79 but declined to about 16 per cent in 1979-80.

Imports of raw materials, at slightly less, a half of all imports, are high and should be appraised from several angles. First of all, over 42 per cent of all imports are made to run the consumer goods industries and between 6 and 7 per cent only to operate the capital goods industries. This composition reflects the stage of the economic development and industrialization of the country. It shows that most of the industries are for the production of consumer goods. Only a small section is for the production of capital goods. Secondly important raw materials include the products of agriculture or agrobased industries such as raw materials, for the edible oil and the vegetable ghee industry, improved seeds for agriculture, chemical fertilizers, insecticides and pesticides and several others. Such imports show technological backwardness of the country. We should have been self-sufficient at least in raw materials which are of agriculture and agricultural inputs like fertilizers for which abundant raw materials are available in the country.

Another serious matter which deserves close attention of our planning and commerce authorities is the fact that those items are being allowed for liberal imports which are produced or manufactured within the country. Two small examples are carbon black and barytes. Both these items are now produced within the country but their imports are allowed against Free List. The public sector unit at Karachi for the production of carbon black got commissioned last year (1980) and in December 1980, it was claimed that Pakistan after meeting the domestic demand was in a position to make export. However, at the same time, imports of carbon black is allowed against cash. Even in the amendment to the Import Policy issued in December 1980 does not exclude its import.

Pakistan is producing and processing barytes within the country. Production in 1978-79, was

31 566 metric tons. There are hundred of other items, imports of which can be replaced with domestic production.

Imports of capital goods which include non-electrical machinery, electrical machinery and equipment and transport equipment, now form an important part of imports. Their share in total imports increased from 33.5 per cent in 1977-78 and 30.15 per cent in 1978-79 to 33.54 per cent in 1979-80. Their imports also need to be examined in the light of the domestic demand and production and the real gap. Pakistan has built up a sizeable capital goods producing industry and it is not working its full capacity, some units are operating less than a half of their capacity. As a result, some unfortunate results have been registered. A number of very important units like the People's Steel Mills have been closed down. This particular unit is supposed to meet the demand of some sophisticated industries like machine tools and defence. Such units have been set up, whether in private sector or in public sector, at a high cost. Huge losses due to closure of such units hurt the socio-economic and even political will of the nations. Articles which are produced in the country or their substitutes should not be imported unless these are unavoidable.

For the present, there is an urgent need to examine carefully the national production structure and its real potential and the import policy should be revised in the light of the results of the findings. A campaign should also be launched to make all the consumers to patronise Pakistan Products.

EXPORTS

In the preceding section, it has been stated that the growth rate of Pakistani exports, in the recent past, has been slower than the average global growth rate. There are many reasons for this and the Government authorities concerned should examine these factors.

First of all, Pakistan has been depending very badly on a few commodities for her foreign exchange earnings. During 1979-80, five commodity groups, namely (i) rice (ii) cotton (including manufactures), (iii) leather, (iv) wool and carpets (v) fish and fish preparations accounted for 77.9 per cent of all exports. All other commodities were 22.1 per cent. In fact only two commodity groups (i) rice and (ii) cotton were 58.9 per cent and cotton and manufactures 41 per cent. Pakistan has failed to increase the production and exports of several other commodities.

Pakistan's exports still show signs of backwardness. In 1979-80 primary commodities semi-manufactures were 15 per cent and finally finished goods 43 per cent. Pakistan has been slow to industrialize and change the composition of exports. In fact there has been some backward march. A decade before, in 1969-70 primary commodities were 33.1 per cent of all exports, semi-manufacture 23.3 per cent and manufactured goods 43.6 per cent.

Even in the export of primary commodities the country has been slow to exploit the opportunities offered to it by the global developments. In the Middle East and other OPEC countries, most of whom are Islamic countries, there has been a great demand for food items like fruits and vegetables, meat, eggs and dairy products and fish and fish preparations. Fortunately, most of these countries are located close to Pakistan. Fast steamer services, equipped with cold storage and refrigeration facilities could be arranged to make regular supplies to the Middle Eastern countries. Pakistan has been very slow to develop her fisheries in which she is very rich. Some other Asian countries, like India, Thailand and South Korea have made great advances.

Here it may be pointed out that Japan and USA are the greatest markets for fish and other marine products. About 75 per cent of the exports of Asian countries go to these two countries. Further, exports of India and Thailand are not of good quality and the Governments of Japan and the USA have placed some restrictions on imports of fish and shrimps from India and Thailand. Luckily the exports from Pakistan are still in demand and there is no restriction either in Japan or in the USA. However, Pakistan has not been able to take full advantage of the situation.

In manufactures, Pakistan is not making any real progress. It still depends very badly on a few manufactures like those of cotton, leather and wool. However, except carpets little efforts have been made to develop down stream industries and increase their value added in exports.

Pakistan still exports in large quantities semi-manufactures like unbalanced cotton yarn and wet blue leather. The country has not succeeded in increasing appreciably the exports of finished goods like readymade garments and hosiery, leather made, readymade garments and other leather goods. The countries like Hong Kong, South Korea, Sri Lanka and Taiwan which depend on imports for raw materials are earning billions of dollars every year.

Sri Lanka exported readymade garments worth \$ 1 billion in 1979. Exports from Pakistan in 1979-80 of readymade garments and hosiery were \$ 74 million only. Because of the differences in development efforts, Pakistan's exports in 1978 were much smaller than of the Asian developing countries as shown below :-

EXPORTS OF SELECTED ASIAN COUNTRIES

(Value \$ million)

	1976	1977	1978
Pakistan	1163	1171	1470
India	5526	6378	6614
Malaysia	5281	6078	7381
Philippines	2574	3151	3425
Thailand	2980	3484	4093
Hong Kong	8526	9626	11499
S. Korea	7715	10047	12713

Pakistan needs some dynamic efforts to correct her balance of trade and payments.

END OF INCOME TAX SUGGESTED

Karachi ECONOMIC REVIEW in English Jan 81 pp 6-8

[Article by S.M.A. Rizvi: "Taxation System and Islamic Concept-VI"]

[Text]

Said Benjamin Franklin that there are only two realities in this world: Death & Taxes. In Japan Mr. Matsu Shita is spending millions and millions of dollars on a College of Economic Experts which is making research whether a Taxless State is possible. The Socialists and Communists are becoming apprehensive that their economy is drifting towards Capitalism. The latest reports about the largest communist country are, that there are over 100 known millionaires in their society. The general people living under Capitalistic Society are groaning that rich are becoming richer while the poor are becoming poorer. The problem of unemployment is increasing. All Fiscal Systems have practically failed to provide relief to the common man and all over the world a sort of vicious circle has been formed which in brief can be called as "Inflation, Recession, unemployment and increased Taxes". To fight these evils there is no instrument in the modern economic theory except Savings, Taxes, Credit Squeezes and increasing Production. But when matters go out of gear then a reverse technique is adopted i.e. "cutting down production, Relief in Taxes and Liberal Credit Facilities." After some time again the old cycle takes its grip on economy with the result that common man suffers whatever be the movement of cycle.

The solution of this problem is not difficult; but the fact, which is ignored, is that the grip on world economy is in such powerful hands that they do not suffer by the ups and downs of the market. Naturally being satisfied and always remaining on a sound, highly secured pedestal, they do not want to disturb the present fiscal system. This is equally true for Capitalistic Society as well as Socialist or Communist Society.

The only difference is that in the former the wealth is vested in the hands of private individuals whereas in the later the custodian of wealth is the State and its bureaucracy. The common man in all the Socio-Economic Systems has no value except that of a surf or slave whose sole purpose is either to enrich a few private individuals or a certain State. The poor man's lot is just to get enough to provide him sustenance and that too sometimes is so meagre that it is not sufficient for him to live a healthy and decent life. The basic reason is that all Fiscal Systems are "Capital and Saving" oriented. And on such savings or capital accumulation there is a big incentive of doubling and tripling it through various Interest and Usuary Schemes. Moreover there is no check either by the Government or by the Society to compulsorily channelise this capital into productive or public welfare schemes. This accumulated wealth must not be allowed to grow up without any effort; rather it should be taxed or discouraged so that the capital may not become stagnant in a few hands or the State, whatever the case may be.

Islam has given a very simple Fiscal System, easy to act upon and completely free from all fallacies or juggleries. The salient features are:—

- i) Every human being is allowed to earn any amount through his efforts or according to his capability or lot without any control, check or tax over it; either by the Government or the Society.
- ii) Unfair means for earning money are strictly prohibited e.g. Usuary, Hoarding, Blackmarketing, not giving the buyer the worth of his money, carrying trade in such items which are forbidden ("Haram") or indulging in immoral and vicious practices.
- iii) No man is allowed to retain with him excessive wealth which is legitimately beyond his requirements. There is no ban on "Araish" but certainly "Araish" is discouraged by Islam.
- iv) Accumulated wealth is subject to Zakat, Ushur, Khums, Sadakat, Qarze-Hasna etc. etc; which in itself is a great deterrent to hold or hoard wealth.

Keeping the above four points in view the net result is that every Muslim, while free to earn any amount, is compelled to part with his accumulated or stagnant wealth for certain purposes; otherwise he will become a loser; and this wealth will decrease every day. The only alternative left for a Muslim is.

- i) To spend money earned by him on himself and his family to such an extent to lead a comfortable life, educate and provide medical facilities, etc. Lavish living, pomp and show or exhibition of wealth is strictly prohibited.
- ii) To invest the money earned in expansion of Trade (Halal).
- iii) To spend on public welfare schemes.
- iv) To spend on Armed Forces.
- v) To give out interest-free loans to the needy.

Otherwise

To pay Zakat & Ushur on all accumulated wealth either in shape of kind or cash; which will gradually result in total annihilation of his wealth in 10 to 40 years.

In the present Western Economic Structure, the concentration is only on three heads of expenditure or investments; firstly on an individual's own-self; secondly to pay tax to Government and thirdly to get the wealth multiplied without any effort or risk e.g. through Usuary and Interest etc. Thus the basic difference between the Islamic and Western Fiscal System is that the former is based on expenditure oriented economy while the latter on saving oriented economic order.

The Muslim Economists are requested to study the difference between the two and advise the Government accordingly. Once the spirit of Islamic Fiscal Order is understood, all the related problems such as Usuary, Interest, Taxes, Productivity, Investment and Welfare of the common man will be solved automatically.

Islam has visualised a taxless state and has evolved an order by which the state is only a custodian of certain amount of public money; otherwise most of the welfare works are done by the public itself through coordinated local bodies. The Government's role is limited only to Defence and Big

Development Projects. Since the times have changed and modern technology requires big state ventures; and certainly the Government is justified to collect money to finance these projects.

Unfortunately the present Governments have all become big Business Houses and its share-holders are the bureaucracy and a very big team of surplus staff. Since all the Governments have control over armed forces as well as civilian police; the result is that they can collect any amount of tax, legal or illegal having power behind their backs to collect these.

If an Islamic Order has to be enforced, the Government control will have to be reduced gradually and more powers will have to be given to the people. I am giving a factual position about the recovery of Income Tax and the real benefit derived by the Government.

Example	Yearly income (average)	Rs.25,000/-
	Income Tax	Rs. 2,000/- per year
Example	Yearly income (average)	Rs.25,000/-
	Income Tax	Rs. 2,100/- per year
	Investment	Rs. 8,750/- per year

Total Government Receipt

<u>Income Tax</u>	Investment in Govt. interest paying schemes of 10 years duration	Rs.8,750
after deducting investment @ 35%	Total interest paid by Government in 10 years	Rs.25,375/-
Rs. 1,365/- p.a.	Excess amount paid by the Government	Rs.11,725
Rs.13,650/- in 10 years		

Now if the amount of Rs.8,750/- (original Investment) is again loaned out by the Government on a higher interest rate of 10% (average interest does not exceed 10% considering the agricultural loans, Export Refinancing Loans and similar other low interest rates advances), the Government gains an interest on Rs.8,750/- in 10 years as Rs.14,466/-. In this way the Government gets Rs. 2,741/- extra on an interest bearing scheme.

If on the contrary the Government invests the amount of Rs. 8,750/- in Development Schemes as claimed by certain officers; in such event the Government pays the investor a sum of Rs.25,375/- after ten years from their own resources/ or by printing paper money; because no Government project is completed within 10 years and for profitability it takes another 5 years.

Hence it was suggested that the Government should totally eliminate both the Income Tax System as well as the Investment in Interest Bearing Scheme and revert back to simply a "Qarze Hasana System"; which is not only a more profitable source of revenue but also in conformity with Quranic injunctions. Speaking with facts and figures, supposing an individual having an income of Rs. 25,000/- per year, instead of being taxed is asked to give "Qarze Hasana" to Government only to an extent of 10% of his income which comes to Rs. 2,500/- this will work out at the present interest rate in 10 years as Rs.9,750/- . The individual will be entitled to receive back only his original sum of Rs. 2,500/-. The Government will thus benefit by Rs.9,750/- minus Rs.2,500/- = Rs.7,250/-.

It will conclusively prove that according to Income Tax System the Government loses Rs.11,725/- which is either met by deficit financing or further loans; whereas by adopting Qarze Hasana System the Government gains doubly a) by not paying interest to investor and b) by indirectly checking the inflation as every investor would like their value of money to go up otherwise the amount given by him as Qarze Hasana will remain of no worth.

However, the Government should be honest with the amount taken as Qarze Hasana, and if there is profitability in those projects where it is invested, the people should be given due share of their profit.

One of the main reasons why the inflation is going up, is the generation of black money or it may be called unaccounted wealth. Why people throw away their money in luxuries, lands, palaces and motor cars; is only because they cannot invest this openly. The fear of Income Tax and Wealth Tax is the only deterrent. The Government will have to swallow this sour pill of doing away with income tax — particularly in a developing country whose 2.5 million population is working abroad and pumping unaccounted money into Pakistan, by legal, illegal means or through liberal baggage policies. Various temptations are given by Income Tax authorities that if Rs.50,000/- capital is invested in a new business and 50% profit shown, there will be no enquiry. The door has been

opened but only a slight chink. People are taking advantage of this scheme but only those with small savings. What about the big tycoons and highly salaried persons abroad. Since now the rate of U.S. Dollar with which we are linked is practically the same in the open market and Hundi Market; large amounts of money are still being invested in foreign banks in interest bearing schemes; in spite of the fact that much more profit can be earned in Pakistan on these amounts if this capital is invested freely in our own country.

Everybody knows that those persons who have accumulated unaccounted money have committed an act against the law of land and to allow them to invest their money without any penalty would be a sort of injustice to those persons who have been paying their taxes all right; but when the economy of the country is at stake and when the inflation is going up by leaps and bounds some major surgical operation becomes necessary, whatever the consequences.

As all the money in Pakistan is tinted (by Islamic view point) whether it be unaccounted or a portion of the same has been mixed up with interest which is totally Haram, hence the Government should have no moral scruples to ask the people having unaccounted money to invest a portion of the same in Qarze Hasana. After all Zakat has been imposed without such considerations. Even if 10% of unaccounted money is given in Qarze Hasana to Government and the remainder be declared as white money, a phenomenal developing change will come in our economy. This 10% Qarze Hasana will be equivalent to more than cent per cent tax collected by the Government. Rather every new investor whether an assessee or not should under a permanent law be asked to give 10% of his new capital in interest-free bonds to enable him to bring the other 90% into account. Recently a report has come up

that more than 1,000 million rupees have been paid under the table against building and plot purchases in one city. Reason? Unaccounted wealth. And then calculate the permanent loss of corresponding wealth tax, Zakat, local taxes etc. etc. on the artificial low price of property entered into Government records. What a colossal loss! Unless the Government completely forgets the Foreign Fiscal System — at least to the extent domestic economy is concerned neither it would be possible to enforce Nizam-e-Islam nor find out a solution for the improvement of the low income group population.

The sincerity of present Government, particularly General Mohammad Ziaul Haq cannot be questioned but the General alone cannot perform miracles unless the top policy making bureaucrats and technocrats cooperate with him. Ask any of these about Islam, they will say that they believe it, but ask them to enforce Islamic Laws they will immediately become apprehensive about their success and start giving arguments about the impracticality of Islamic Laws in this country. As if God will and is helping them to enforce un-Islamic laws, but the Almighty will not help them if they make an effort to enforce Quranic Law. What an irony and what a Faith! It is better to become non-Muslim than remain a "Munafiq".

I would beseech the President of Pakistan to go ahead with his programme of Islamisation and God forbid even if he is not successful in this work; he will stand before God Almighty on the Day of Judgement with Laurels on his head.

CSO: 4220/303

ROLE OF TAXATION POLICY IN INDUSTRIAL DEVELOPMENT

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[Article by Iqbal Naeem Pasha: "Taxation Policy and Industrial Development"]

[Text]

In developing countries like Pakistan the growth process is usually marked by a conflict between egalitarian ideals of reducing economic disparities and the goal of rapid economic growth. There is a real dilemma in a developing economy between reducing inequalities in income and wealth and that of providing adequate incentives for saving and investment. Hence it becomes necessary to seek out instruments of tax policy which would allow full play to the forces of private initiative and thrift without intensifying inequalities to an unacceptable degree and also yield substantial revenues to the Government.

Many ideologists are of the opinion that indirect levies should be entirely substituted by direct progressive taxes. There is nothing inherently bad about an indirect tax nor there is anything good about a direct tax. It depends entirely upon what kind of direct or indirect tax it is. Maladministration and evasion of direct taxes may render modern progressive direct taxes neither modern nor progressive. John Stuart Mill, in "Principles of Political Economy" observed on the "virtuous" state of Victorian England in 1892: "The strongest objection, however, to raising the whole or the greater part of large revenue by direct taxes is the impossibility of assessing them fairly without a conscientious co-operation on the part of the contributors not to be hoped for in the present low standard of public morality."

Thanks to maladministration of tax-collecting machinery and wide spread tax-evasion, the first recourse in Tax Policy is often to tax bottle-neck in the flow of income, damming the flow of income at its narrowest point in order to direct funds

to the Government-Sector. This is what has happened in Pakistan. Since 1951, instead of subjecting to Sales tax thousands of retailers, only manufacturers, importers and in a few cases exporters are chargeable to Sales tax.

Similarly, major portion of income-tax revenue is being collected from salaried persons, statutory corporations, nationalised industries and Joint Stock Companies. These are the devices for capturing income at bottle-neck and mobilizing revenues in the short run. But optimizing tax revenues in the short run may mean suboptimizing in the long run.

Unfortunately the easiest places to collect taxes have been those that had the greatest growth potential or, at least, were among the most crucial to progress. The very sectors where taxes should have been the least are the first to be effectively taxed. The result is that both, economic development and the long run growth of tax revenues, have been considerably impaired. This sorry state of affairs obtains notwithstanding the fact that the Government has been offering various types of incentives in the past to accelerate industrial development. Let us first examine and analyse the incentive policy followed and discarded in Pakistan.

The most notable incentives that were allowed in the past were Tax-holidays, exemptions from duties and taxes other than income-tax, provision of cheap finance including costly foreign exchange, protective tariffs, Export Bonus Scheme etc. The main incentive was Tax-holiday which was introduced in 1959 for periods varying from 4 to 10 years. The main purpose of "Tax-holiday Scheme" was to encourage regional dispersion, as was obvious from the fact that income from new investments in under-developed areas was exempted from income tax and Super tax for periods ranging from 8 to 10 years.

However, the results achieved were not uniformly encouraging. Industries were mostly set up in developed areas. The entrepreneurs disregarded the Tax-holiday incentive of longer duration and were motivated primarily by the prospects of profits alone which depended on host of other factors like nearness of the market, labour conditions, cost of production etc. By and large less developed areas of the country remained deprived of any noticeable industrial development, thereby defeating one of the main purposes for which the incentive was allowed. Thus Tax-holiday not only failed to benefit the poor regions but also entailed colossal loss of revenue to the Government. This is probably the main reason why Tax-holiday Scheme was abolished with effect from the assessment year 1971-72.

Industries in Pakistan have also enjoyed exemptions from duties and taxes other than income tax. Tariff incentives were also provided to many existing industries. One of the most important, Export Bonus Scheme, entitling the Exporters to "Bonus Vouchers" which could be sold in the open market at a premium. The device soon lost its initial purpose and became a profitable business arising out of multiple exchange rates. It was, therefore, abandoned in 1972.

The cumulative effect of Tax and other incentives in Pakistan was that although they alongwith other non-tax factors, encouraged industrial investments in urban areas but they also distorted the scarcity price of capital, besides entailing huge losses to the Exchequer.

Let us now examine the incentives and concessions that are available, at present, to industries in Pakistan. As mentioned supra, Tax-Holiday Scheme was abolished with effect from the assessment year 1971-72. The said scheme has recently been revived in regard to industrial undertakings set up in under-developed regions.

According to clauses (80), (81), (82) and (82A) of the Second Schedule to the Income Tax Ordinance 1979, as amended vide the Finance Ordinance 1980, profit and gains derived by a Pakistani Company from an Industrial undertaking are exempt from tax for a period of five years beginning from the month in which the undertaking is set up or the Commercial production is commenced whichever is the later, provided that the said industrial undertaking is set up on or before the thirtieth day of June 1983 in any of the following regions:—

1. Province of Baluchistan.
2. North West Frontier Province.
3. Kohistan, Northern Areas, Tribal Areas, Azad Kashmir.
4. Districts of Mianwali and Dera Ghazi Khan and Tehsil Khushab in the district of Sargodha in the province of Punjab.
5. Districts of Shikarpur, Jacobabad and Dadu (Excluding Tehsil Kotri) in the Province of Sind.

As the Government was not collecting any tax before, no loss of revenue is involved. Thus Tax-holiday in the under-developed or backward areas entails no cost of the Government. Partial exemption from tax to the extent of 10% of the capital employed in an industrial undertaking owned by a Pakistani Company is available under Section 48 of the Income Tax Ordinance 1979 for a period of five years including the year in which commercial production is commenced, provided that the said undertaking is set up on or before the thirtieth day of June 1983 in any area in Pakistan excluding Talukas of Karachi and Hyderabad and Tehsils of Faisalabad and Lahore.

Exemption of Income derived from sale of specified Agricultural Machinery manufactured (not assembled) by an assessee, granted vide S.R.O. 25K/69 dated 20.11.1968, has been extended upto the thirtieth day of June 1983 by virtue of insertion of Clause (63B) in the Second Schedule to the Income Tax Ordinance 1979 vide the Finance Ordinance 1980.

Besides absolute or partial exemption of profits and gains of specified Industrial undertaking as discussed here-in-above several other incentives are also available in the shape of Tax-credits and rebates. Under Section 106 of the Income Tax Ordinance, where an assessee, being a company, invests

any amount in the purchase of shares issued by a Pakistani Public Company engaged in carrying on, in Pakistan, an approved Industrial undertaking owned by it, Credit for the amount invested is allowed to the assessee against the Tax payable by it at the following rates:—

Where the Industrial undertaking set up by the Company is located in —

- | | |
|---|---|
| (a) Baluchistan Tribal Area, Northern Area, and Azad Kashmir. | Thirty per cent of the amount invested. |
| (b) Other places excluding Talukas of Karachi and Hyderabad and Tehsils of Faisalabad and Lahore. | Fifteen percent of the amount invested. |

Tax-Credit at the rate of fifteen percent on investment in the purchase of Plant and Machinery for the purposes of replacement, balancing or modernisation of machinery or plant already installed in an industrial undertaking owned by a Pakistani Company, granted vide Section 15 GG of the Income Tax Act 1922, is now available under Section 107 of the Income Tax Ordinance 1979 provided that the plant and machinery purchased for the purposes of replacement, balancing or modernisation is installed on or before the thirtieth day of June 1983.

Export Rebate at the rate of fifty percent of Income-tax and Super-tax payable in respect of profits and gains attributable to export of goods manufactured in Pakistan is available to an assessee under Sub-paragraph (2) of Paragraph 'A' of Part IV of the First Schedule to the Income Tax Ordinance 1979.

Under Clause (IV) of the proviso to Sub-paragraph (1) of paragraph 'A' of part II of the First Schedule to the Income-tax Ordinance 1979 as amended vide the Finance Ordinance 1980, Rebate at the rate of Five percent of Super-tax is available on so much of the income of a domestic Company as is derived by it from an Industrial undertaking, commencing commercial production, at any time between the first day of July 1975 and the thirtieth day of June 1983, if the original cost of fixed assets (excluding land) owned by the Company and used by the undertaking does not exceed Rupees fifty Lakhs.

Rebate at the rate of Ten percent of Super-tax is available to a domestic Company in respect of its income, profits and gains as are derived by it from processing, freezing and canning of food, vegetable, fruit, grain, meat, fish and poultry.

An attractive incentive for investment in corporate industrial sector is available under Sub-Clause (c) of Clause (52) of the Second Schedule to the Income Tax Ordinance 1979 whereby Dividend Income received out of the profits of an Industrial undertaking set up in Pakistan by a Pakistani Public Company at any time between the first day of July 1978 and the thirtieth day of June 1983, has been exempted

from Tax in the hands of the recipient for a period of Five Years beginning from the year in which commercial production is commenced.

With a view to accelerate revival or resurrection of sick industrial units Section 34A has been inserted in the Income Tax Ordinance vide the Finance Ordinance 1980, whereby an Incentive has been provided to a company, listed on Stock Exchange, who acquires such Sick Unit as wholly-owned subsidiary company, by entitling the Holding Company to set off for three consecutive years, the current year's losses of such subsidiary Company against its current year's profits.

Remission of Custom Duty has also been allowed vide the Finance Ordinance 1980 on import of machinery for setting up Industrial estates in Tax holiday regions. Custom Duty on Import of machinery for balancing, modernisation and replacement (BMR) purposes has also been exempted in regard to specified industries.

Similar incentives have been provided under the Sales-Tax Act 1951 in the shape of either complete exemption of goods manufactured by certain specified industries or reductions in Sales-Tax rates. As a measure of tariff protection for certain specified locally manufactured articles rate of sales-tax on import of identical goods has been considerably increased.

Besides providing the incentives as discussed supra, the present Government has also adopted a number of Policy measures for reviving industrial tempo which include allowing private entrepreneurs to enter the basic Chemicals and Cement Industries Area, restoration of two taken-over Industrial Units, protection of the rights of investors and publication of investment schedule etc.

Despite all these corrective measures and concessions the investment climate has not perked up. Underutilization of the existing capacity of industrial units is continuing at a large scale mainly due to non-availability of funds for replacement, balancing and modernisation of the out moded machinery and plant. The number of sick units is on the increase and inspite of the incentive provided vide Section 34-A of the Income-tax Ordinance 1979, entrepreneurs are not coming forward to acquire such sick units, again, mainly due to non-availability of funds.

It cannot be denied that there is no dearth of "hidden wealth" in Pakistan, but the same can neither be used for the purposes of purchase of machinery or plant nor for acquiring shares of the Sick Units, for obvious reasons. In my humble opinion the malady can be traced to the levy of high rates of direct taxes which makes it extremely difficult for an entrepreneur to save and invest in productive channels.

It is a truism that high rate of taxation and evasion are complimentary twins. The theory that high rate of taxation discourages concentration of wealth is no more than a myth in Pakistan. Thanks to large scale evasion, Income-tax even at

stratospheric rates could not arrest accumulation of "hidden wealth" that came to surface in consequence to declarations made under Martial Law Regulations of 1958 and 1969 and Section 3C of the Repealed Act in 1976.

Besides providing an inducement to evasion, high rates of Income-tax also weaken the will to work and invest and have an overall disincentive effect. They set premium on dishonesty and no premium on efficiency, hard work and thrift.

The Finance Act, 1976 was the first courageous commendable step in the right direction, whereby maximum rate of tax was reduced to sixty percent. Finance Act, 1977 further reduced the maximum rate to fifty percent which was maintained vide Finance Ordinance, 1978.

The process was reversed vide Finance Ordinance 1979, whereby maximum rate was raised to fifty-five percent in the case of Companies and sixty percent in regard to other Categories of assessee, besides levy of Surcharge at ten percent of the Income-tax and Super-tax payable.

In my humble opinion, the foremost incentive that would help in inducing the tax-payers to declare their income correctly is by reducing corporate tax to forty five percent and restoring the maximum rate of Tax in regard to other categories of assessee to fifty percent.

Another radical incentive that would be conducive in eradicating the evil of 'Evasion' and improving the investment climate, by making funds available for funneling into productive enterprises, lies in adopting an "inducement approach" by allowing reduction in the tax-liability of the assessee on the basis of quantum of increase in income declared by them vis-a-vis the income of the latest previous year or income year for which they have been assessed under the Repealed Act or the Income Tax Ordinance, 1979.

This objective can be achieved by making the following amendment in the First Schedule to the Income Tax Ordinance, 1979:—

"Notwithstanding anything contained in this Schedule Income Tax and Super-tax payable by an assessee, other than a registered firm, shall be reduced by an amount computed in the manner specified hereunder:—"

- I. Where the total income returned exceeds 20% but does not exceed 30% of the total income of the latest previous/income year in respect of which he has been assessed under the Repealed Act of this Ordinance. 5% of Income tax and Super tax payable.
- II. Where the total income returned exceeds 30 but does not exceed 40% of the income of the latest previous/income year in respect

of which he has been assessed under the Repealed Act or this Ordinance. 10% of Income tax and Super tax payable.

III. Where the total income returned exceeds 40% but does not exceed 30% of the total income of the latest previous/income year in respect of which he has been assessed under the Repealed Act or this Ordinance: 15% of Income tax and Super tax payable.

IV. Where the total income returned exceeds 50% but does not exceed 70% of the total income of latest previous/income year in respect of which he has been assessed under the Repealed Act or this Ordinance. 20% of Income tax and Super tax payable.

V. Where the total income returned exceeds 70% but does not exceed 10% of the total income of the latest previous/income year in respect of which he has been assessed under the Repealed Act or this Ordinance. 25% of Income tax and Super tax payable.

VI. Where the total income returned exceeds 100% of the total income of the latest previous/income year in respect of which he has been assessed under the Repealed Act of this Ordinance 30% of Income tax and Super tax payable.

The employment of the "inducement approach" as discussed here-in-above, alongwith other fiscal, policy and administrative measures already adopted by the present Government, would not only resurrect the sagging industrial tempo but would also ultimately yield all round greater revenues to the Exchequer.

One more aspect which requires consideration in this context is the retrospective nature of the Finance Acts. Apart from the fact that this is against the canons of justice, it scares the investor as he does not know his tax-liability even after the investment schedule has been announced. The apprehension that he may have about increase in his tax-liability, due to the amendments in the Tax-Code consequent upon the passing of the Finance Act, which event takes place invariably after the close of the "income year", acts as a deterrent to correct disclosure of his income.

It is, therefore, imperative that an irrevocable assurance be given to the tax-payers that no amendments retrospectively applicable to the "income year", shall be made in the Tax-Code other than those of a remedial, declaratory or explanatory nature.

There being no fear of unanticipated increase in their tax-liability, the assesseees would be more prone to declare their income truthfully which would result in more revenue to the Exchequer.

Multiple direct and indirect taxes of similar nature, whether at federal, provincial or Municipal level, though yielding insignificant Revenue, confuse the entrepreneurs, ward off investments and prove deterrent to the correct disclosure of income and sales.

Adam Smith in his "Wealth of Nations" had designated four canons of Taxation: "Equality of Contribution, Certainty of imposition, convenience of payment and economy in collection".

It is better to have fewer, well administered taxes rather than have a jingle of levies with a yield hardly commensurate with the vexation that the collection thereof arises, defeating the very purpose for which these were enacted and subject to large-scale evasion.

The objective of rapid industrial and economic growth can be attained if efficiency, hard work and thrift are sufficiently rewarded and resources are diverted from consumption to investment. This can be achieved by making income-taxation incentive-oriented by scaling down the maximum rate as suggested here-in-above and by discarding the inquisitorial and negative attitude and adopting in place thereof "inducement approach" by allowing reductions in the tax-liabilities of the assesseees on the basis of increase in the quantum of income declared by them, voluntarily, vis-a-vis the income of the latest "income year" for which they have been assessed.

This is a cure which would appeal directly to the feelings of the tax-payers, eradicate the evil of evasion, curtail consumption, encourage investments, increase industrial output, revive the sagging economy which may perhaps result in possible upsurge of profits, yielding all round greater revenue to the Exchequer.

'REVIEW' COMMENTS ON PREVALENCE OF CORRUPTION

Karachi ECONOMIC REVIEW in English Jan 81 pp 5, 6

[Commentary by Umar: "Corruption Is Primarily an Economic Evil"]

[Text]

Corruption is an economic evil by cause and a social evil in effect. No denying the fact that this evil is in manifestation in almost all societies, based on any economic and political system. This evil has been deeply rooted and has also been historically a cause of shaking through roots apparently well entrenched governments. Corruption has been rampant in our country and Pakistan's socio-economic set-up is being threatened by its cancerous spread. Identification of its causes for application of remedies is an imperative.

Why would this evil spread? Instead of going by academic abstractions, it would be a simple but whole truth to state that primarily corruption is an economic evil. Its spread is due to insecurity in economic sphere. The feel of insecurity is dominant for the past over two decades, in our case. Perhaps the period can be extended to some more length.

Fiscal and Monetary management not disciplined and vigorous, coupled with poor overall economic policy formulations and inefficient implementation apparatus have wrought disastrous results, which in turn fuelled fat to the fire of corruption in Pakistan. Absence of definite systems governing our economic and political life, prompting intervening violent changes in practices, instead of giving stability has proved factor motivating growing dissatisfaction, followed by disruption.

While there is crying need for halt to a wild spread of corruption, it is equally imperative, rather more crucial, to evolve definite economic and political systems and start implementation of long-term targets emerging from them.

Carving of structure for definite political and economic systems would need solid base work, preceded by clear-headed thinking on the subject. In fact, what we need, being Believers, is not a search of system, that would consume a

long time and energies for the purpose. We simply need creating a structure which can implement basic objectives and aims. Even in this task, we have failed and failed miserably, so much so that confusion got worse confounded about the system!

This has been precisely due to our lack of sincerity, both for cause and purpose. For the insincere attitude and dishonest approach, entire society is to be blamed. In sharing that blame, greater responsibility rests with the leadership. Who could deny that leadership had been dishonest, insincere and full of lust for authority.

Ability, authority and responsibility should go together as a norm. Ironically, in our case, this norm has been non-functional. Authority has been conferred without ability which made a mess of all that was to be ruled rightly. Misuse of authority, emerging primarily from inability, in ultimate, got shelter behind the citadel of poverty of system. Its height, in our case, could be no probe for the debacle of East Pakistan, the break-up of motherland and unceremonial-rather crudest ever burial of an ideal by which we had won freedom against arch enemies.

Corruption has been the root cause of our malady. This cannot be denied. Let us admit this first, as without confession there could be no grain for sincerity of purpose. No voice was raised against countless wrongs and perpetuating injustices. The tendency remains dampen. In fact, it has worsened with the passage of time. Corrupt practices shelter each other and in the process are promoted. Likewise, corrupt people protect each other. Let us be awake, to end the vicious cycle.

If we commit ourselves to eradicate the evil of corruption certainly some major evils will end in the process and soon. Corruption emanates from conferring in an individual and/or office power greater than his/its ability. That would tend to make one power drunk or victim of excessive authority and the power or authority would be employed to achieve sinister ends.

No office of power can be delegated without ability. For example, a man holding an office carrying remuneration of Rs. 2,500/- per month, if allowed to assess taxes, duties, penalties for any amount, even say Rs.10,000/- in a single case, he will be allured to make the most out of that power than relish a limited earning of Rs.2,500/- a month. Such cases of assessment are countless with each office and running into millions of rupees. Further, there is no effective check and balance system in practice that ends of justice can be served without waste of time, energy and resources. Contrary to willingly sacrificing that much, an assessee would be succumbed to extortion. That is but human.

It is one of the reasons that State's revenues persistently trail behind its expenditure, though taxes are growing out

of proportion. As a result, inflation is galloping. Investment is shy, trade is receiving priority over industry etc. Resultantly, there is run away of price line, particularly of consumer goods.

Why would one grease a greedy palm? The reason is that it is an easy outlet for escape from undue harassment and unwarranted spendings. Time is an important element in business. No business would and could waste it, with energies and opportunities. So, business is prone to succumb to corrupt practices. Defiance pays a little and that also needs and exceptional stamina and spendings. Can't we divorce powers far over ability? Ability embraces several qualities. Primarily, it encompasses knowledge, character, competence and all the more income vis-a-vis power to harass and assessment of monetary liabilities. In order to illustrate the point, what powers have been vested with offices/ranks of customs, income and other taxes departments, police and so on? In all cases, these are far over ability.

Precisely, a middle level official of the customs (land, sea and air —all), of the income tax department, police and what not, enjoys access through excessive power of office to unaccounted for incomes manifold than what a well-set businessman would get through toiling.

Imagine, what could happen in this situation? Invariably, corruption is bound to spread, in intensity not less than a jungle fire. This is what we are presently faced with in Pakistan. Definitely, corruption is basically an economic evil in cause and certainly a social evil in effect.

CSO: 4220/303

REVIEW OF AGRICULTURAL CROPS

Karachi ECONOMIC REVIEW in English Apr 81 pp 17-22

[Article: "Crop Wealth of Pakistan"]

[Text]

Pakistan is rich in agriculture crops. Cotton, wheat, rice, and sugar cane are the major important crops of Pakistan. Production of these crops have touched new peaks. Foreign exchange earnings from export of cotton and rice is likely to be around one billion dollars. Due to bumper wheat crop there will not be any import of wheat this year. Even minor crops of jowar, bajra maize, barley, gram, oil seed and tobacco make a significant contribution to GNP.

Cotton production has increased substantially but the per hectare yield still stands at 368 kgs. which is very low as compared to the world average of cotton yield of 439 kgs. per hectare. Since independence there has been virtually no addition to cotton storage facilities.

Cotton is the principal cash crop of Pakistan. The importance of cotton may be judged from the fact that it represents about 25 per cent of the value of major crops and about 15 per cent of the GDP for agriculture sector. Cotton Textile manufacturing alone accounts for about 7 per cent of GDP. The crop as a whole provides means of living to atleast five million or about 8 per cent of the population. Cotton and its manufactures contribute a major part of foreign exchange earnings. Its seeds are source of edible oil which is used as raw material in vegetable ghee industries. It is obvious that increase in cotton production would significantly contribute towards the stability of the economy.

AREA, PRODUCTION AND YIELD PER HECTARE OF COTTON

Year	Area (000 hectare)	Production (000 bales)	Yield Kgs Per hectare
1974-75	2031	3567	314
1975-76	1852	2890	277
1976-77	1865	2446	233
1977-78	1843	3233	312
1978-79	1891	2662	250
1979-80	2034	4200	368
1980-81	2490	4300 target	-

The production of cotton has attained a record production in 1979-80 having reached a production figure of 4.20 million bales showing a rise of 57.8 per cent as compared to the preceding year. The production target for the current year is likely to be achieved—2.9 and 1.4 million bales are likely to be produced in Punjab and Sind respectively.

It will be seen that cotton production has increased substantially but per hectare yield still stands at 368 kgs which is very low as compared to the world average of cotton yield of 439 kgs per hectare.

With the revival of textile industry home consumption has markedly improved from 355,986 metric tons in 1977-78 to 451,798 metric tons in 1979-80.

A number of varieties of cotton have been developed and some more are in advance stage of evolution. The Pakistan Central Cotton Committee in collaboration with the Provincial Government has evolved and released 9 new Upland and 3 Desi cotton varieties to replace old varieties like 4-F, LSS, 124-F, with varieties like BS-1, AC-134, 149-F, MS-39 and B-557 in the Punjab and M-4 and M-100 in Sind. In the Punjab AC-134 and 149-F are in the process of being replaced by B-557, M-1 is now in the process of replacement with three new and superior Upland varieties, viz. H-59-1 (Qalandari) S-59-1 (Sarmast) and K-68-9, BS-1 has since been approved for commercial cultivation in the NWFP.

COTTON EXPORTS

In the year 1980-81 cotton is likely to emerge as the largest single foreign exchange earner, elbowing out rice from the first position. The export of cotton as percentage to total

export increased from 2.5 % in 1976-77 to 14.04 % in 1979-80. The estimates of 1980-81 are around 20 %. The increase was due to rise in demand from China, Hongkong, Japan and Bangladesh.

EXPORTS OF RAW COTTON

Year	Total Exports (Rs.million)	Export of Quantity (000 bales)	Cotton Value (Rs.million)	Export of Cotton as per cent of total export
1974-75	10286	1062	1534	15.01
1975-76	11253	420	981	8.71
1976-77	11294	66	292	2.57
1977-78	12980	492	1102	8.48
1978-79	16925	256	655	3.87
1979-80	23640	1280	3321	14.04
1980-81	26000	—	5000	19.23

COTTON PRICE

The cotton policy for 1980-81 allowed an increase in the cotton price ranging from Rs. 28.00 to Rs. 31.00 per maund or roughly 8 to 10 per cent.

Another feature of cotton policy is the lightening 25 per cent increase in the procurement price of cotton seed oil from Rs.200 to 250 per maund. Other features of new cotton policy remain unchanged. For instance no purchase of cotton would be allowed to be made at price lower than the newly fixed minimum prices for different varieties. Cotton exports would continue to be the exclusive domain of Cotton Export Corporation while private traders may participate as agents to the CEC in securing export orders. CEC has not only achieved a record volume of success but also provided stability to cotton price at home by regularly purchasing and stocking cotton thereby counteracting the possibility of an eventual crash in cotton prices under the pressure of peak crop movement. The presence of CEC combined with maintenance of minimum support prices for raw cotton has proved to be successful policy in the management of the countrys' cotton economy.

STORAGE OF COTTON

Since independence there has been virtually no addition to cotton storage facilities. Cotton stocks arriving from up-country to Karachi for export are generally stored at TPX which is a transit yard for commodities meant for export and import. The space available at the TPX has not been adequate even for a normal size of an exportable surplus and is limited to about 350,000 bales. A large number of plinths at the TPX are open and uncovered with the result that cotton stored here is exposed to inclement weather, rain, sun etc. In the absence of fully secured and adequate facilities, the quality of cotton deteriorates and that is why complaints are often received from foreign buyers.

PROBLEMS

Cotton production in Pakistan is handicapped by different agronomic and economic bottlenecks. Some of the major problems are:—

1. The Cotton varieties which are grown in Pakistan are capable of giving 1-1/32" to 1-1/16" staple but the bulk of existing production falls under a length of 15/16" to 1".
2. A sufficiently large portion of the potential production is destroyed by insect and pests and according to an estimate this loss is as much as 30 per cent.
3. Due to decreasing productivity per unit area the farmers shift from cotton to alternative crops which yield higher economic returns.
4. Due to the increasing cost of production the margin left with the grower is comparatively less than some other crops.
5. Pakistani cotton fetches comparatively lower prices in foreign market due mainly to short staple, poor ginning and grade.

These problems are, however, not unsolvable and it is hoped that the increasing attention on research, better farm management practices and encouraging price policies will yield an overall improvement in cotton production and trade in near future.

WHEAT

About 40 per cent of wheat produced in the country is wasted annually. Due to inadequate facilities for storage, the bumper wheat crop of 11.43 million tonnes is likely to create problems. Per hectare yield in Pakistan is only 0.70 tonnes as against one tonne in Mexico, 2 tonnes in USA and 5 tonnes in France.

Wheat is the staple diet in Pakistan and accounts for over 70 % of the gross cereal intake. It is the crop with the largest area and constitutes over 30 % of the total cultivated land (47.64 million acres). Similarly, among the different types of cereals produced in Pakistan, wheat production ranks highest amounting to about 65 % of the total cereal production, followed by rice (21%), maize (7%), Jowar (3%), bajra (3%), and barley (1%). However, despite this impressive position, wheat production falls much below the domestic requirements and imports of wheat production falls much below the domestic requirements and imports of wheat has become a regular feature.

AREA, PRODUCTION AND YIELD PER HECTARE OF WHEAT

Year	Production million tons	Area million hectare	Yield Per hectare/Kgs.
1974-75	7.67	5.81	1320
1975-76	8.69	6.11	1422
1976-77	9.14	6.39	1430
1977-78	8.36	6.36	1316
1978-79	9.95	6.68	1485
1979-80	10.75	6.86	1479
1980-81	11.34 target	—	—

Pakistan is expected to harvest 11.34 million tonnes of wheat during 1980-81 crop season — an increase of about 5.39 per cent over the final estimate of the previous year's production. All possible measures are being taken by the central and provincial governments to ensure the achievement of this target. The governments of Punjab and Sind have fixed wheat production targets at 8.3 million tonnes and 1.94 million tonnes, respectively for the current season. About seven million kilograms of high yielding varieties of seed is being supplied through the Seed Corporation in the province. The improved varieties of seed will include Indus-79, LU-26, Pari Chenab-79, and Bahawalpur-79.

The Government in October 1980 fixed a procurement price of Rs. 58 per 40 kilograms. However, the farmers felt that this price was at a low level. A cultivators convention was held in Islamabad last year which estimated wheat production cost of Rs.65 in the Punjab, Rs.58 in NWFP and Rs. 52 in Sind.

Per hectare yield in Pakistan is extremely low. It comes to only 0.7 ton as against one ton in Mexico and Egypt and more still in India and France. Until this chief deficiency is firmly overcome the overall prospect for wheat will not brighten up. The agronomists and planners have expressed the hope that the wheat output would be raised by over 40 per cent by 1982-83. The percentage increase in area has been fixed at 11 per cent and the rise in per acre yield at 47 per cent.

The low yield is due mainly to an inefficient mix of water, fertilizer and high yielding variety of seeds. The fertilizer dependent Mexican wheat, with proper mix of other inputs, has yielded more than double of the present yield in Pakistan. Such yields are not common in all cases, however, at least one ton of wheat per acre can easily be obtained with judicious use of only 336 pounds of urea and 168 pounds of Triple Super Phosphate (T.S.P.) per acre.

STORAGE

According to the Chairman, Pakistan Agriculture Council, 40 per cent of wheat produced in the country is wasted annually either in the field, in storage or during transportation. From harvesting to threshing, 30 per cent is lost through faulty and outmoded farming methods; another 10 per cent is wasted when being moved from the field or while lying unprotected in ill-constructed and primitive godowns. The bumper crop of 11.43 million tons this year is likely to create problems. The Executive Committee of the National Economic Council has already envisaged further increase in Punjab's storage capacity by half a million tons. At present the country has a storage capacity of 2.4 million tons of wheat, this capacity is quite inadequate.

Wheat stocks can be built for consumption and export only when scientifically constructed godowns are available in all regions. So far the space set aside for stocks has not met the scientific and technical requirements of storage. Fumigation has not helped to offset the effects of other inadequacies. The well-known pest that attacks stocks in conventional godowns is 'Khapra' which is resistant to the pesticides that is applied to the godowns at present.

IMPORT

The average annual import of wheat into Pakistan is more than one million tons in the last five years. The major source are USA, Australia and European countries. The imports are made under cash, cash-cum-credit, PL-480, Grants and the Food Aid Convention. The following table shows the quantum and value of wheat imported during the five years:-

IMPORT OF WHEAT INTO PAKISTAN

Year	Quantity (000 tons)	Value (Rs. million)	Average Price (Per ton in Rs.)
1974-75	1344	2460	1830.80
1975-76	1186	1785	1504.81
1976-77	499	660	1322.65
1977-78	1052	1336	1270.53
1978-79	2236	3505	1567.57
1979-80	-	1041	-

PRODUCTION OF WHEAT PRODUCING COUNTRIES

Countries	Production	Area million hectares	Yield (Kg./Hectare)
USSR	120.8	62.9	1920
USA	48.9	23.0	2128
China	51.0	34.8	1466
India	31.3	21.2	1477
France	21.2	4.2	5057
Canada	21.1	10.6	1999
Australia	18.4	10.1	1820
Turkey	16.8	9.3	1794
Italy	9.3	3.5	2688
Pakistan	8.3	6.3	1305

Source:- FAO Monthly Bulletin of Statistics, October 1979.

RICE

Rice is likely to earn \$ 500 million foreign exchange during the year 1980-81. However, unless Pakistan is able to offer superior quality milled rice, the desired level of success in rice exports is not likely to be achieved. The procurement price of rice fixed by the Government has been considered inadequate by the rice millers.

Rice is the most important cash crop in Pakistan and it has assumed the first position in regard to foreign exchange earnings. Pakistan has moreover, a distinction of being one of the only two producers of Basmati rice in the world though with some justification to be the world's finest, of delicate long grain and axotic aroma. A unique combination of soil and climatic conditions confine this distinctive rice to Pakistan. While long grain rice has been grown with success elsewhere, notably in the United States nowhere has it been possible to duplicate or rival the particular flavour characteristics of fine Basmati rice.

This makes it all the more astonishing that Pakistan has not been able to fully exploit the enormous export potential of this rice or of the numerous coarser varieties so widely grown in the country. To put it bluntly, we have hitherto failed to process a quality of rice that would bring to the fore, the advantages our varieties possess, and we have not been able to maintain a consistent standard in the rice we market. The situation therefore, merits careful attention if we are to remove these obstacles.

AREA AND PRODUCTION OF RICE

Year	Area(million Hectare	Production (million tons)	Yield Kgs. per hectare
1974-75	1.60	2.31	1443
1975-76	1.71	2.61	1531
1976-77	1.74	2.73	1565
1977-78	1.89	2.95	1553
1978-79	2.02	3.27	1615
1979-80	2.03	3.22	1584

The area under rice crop during 1980-81 is 1.952 million hectares which is four per cent less than the previous year's final estimate of 2.034 million hectares, according to all Pakistan first estimate of rice for the year 1980-81 released by the Ministry of Food, Agriculture and Cooperatives. The provincial break up of the estimate is as under. In the Punjab, the area under rice crop during 1980-81 is estimated at 1.066 million hectares as compared to 1.179 million hectares finally estimated last year. It has fallen of 7.0 per cent despite an increase of 9.1 per cent in area under Basmati. This fall is attributed to dry weather conditions at the sowing time of IRR1 varieties. In Sind, the area under rice crop is estimated at 743,800 hectares. It shows a decrease of 0.2 per cent over previous year's final estimate of 745,600 hectares. This decline in the area is due to ban on rice cultivation in some parts of upper Sind.

Rice has gained an added importance after the separation of East Pakistan and has emerged as the largest single foreign exchange earner. It had fetched Rs. 4.179 billion from the export of 1.086 tons in 1979-80.

EXPORT OF RICE

Year	Exports (Rs. million)	Quantity (000 tons)
1974-75	2304	478
1975-76	2479	782
1976-77	2477	945
1977-78	2408	879
1978-79	3380	1015
1979-80	4179	1086
1980-81	5000(estimates)	1150

Exports of Basmati rice, during 1980-81, is expected to fetch 245 million dollars, while export earnings of other varieties of rice during current year is being projected at more than 236 million dollars. Export projections, are based on an exercise carried out recently by the Government which indicate possible foreign exchange earnings of more than 45 exportable commodities during this fiscal year. Rice export, constitutes single largest foreign exchange earnings item of the total export projection of 2,600 million dollars in 1980-81.

In October 1980, the Government revised the procurement price of rice upwards to Rs.137.00 per 40 Kgs for Basmati from the previous price of Rs.125.00 per 37-1/2 Kg, Rs.72.00 per 40 Kg for 15 per cent broken Irri-6 and Rs.63 for 40 per cent broken Irri-6. The new procurement price for Basmati worked out to Rs. 3.42 per Kg as against Rs. 3.33 per Kg previously. It is expected that this price might give some cushioning effect to the rice milling companies profit potential but the rice millers consider the increase as inadequate. It cannot be denied that prospects of profitability alone provide inducement for risk capital investment in any industry including the modern rice milling industry. And the need for developing the rice milling industry on modern lines cannot be overemphasised in view of the vast potential for increasing the export of rice from Pakistan. Moreover, unless Pakistan is able to offer superior quality milled rice with minimum of broken rice and dirt etc. the desired level of success on rice exports would be difficult to achieve. For this purpose, modern rice milling plants shall have to be promoted in greater number.

STORAGE

The gross inadequacy of storage capacity is, however, acutely felt. Although the RECP has now a storage capacity of 740,000 tons as against 590,000 tons at the time of its inception, it leaves much to be desired. The storage capacity must be increased without delay to cope with the increasing exports. The RECP had a plan to raise the capacity to 900,000 tons. If that has been done, it will make a difference for the better. This, coupled with the proposed construction of additional storage capacity 200,000 tons at Port Qasim, will considerably improve the situation. With the coming to operation of 12 latest plants, the milling capacity has been sufficiently increased. The cleaning capacity has also risen from 300,000 tons in 1974-75 to 800,000 tons now. The RECP has recently acquired two most modern husking plants from the private sector in addition to the takeover of six small husking plants from the Punjab Industrial Development Board.

SUGAR CANE

Pakistan is ranked four after India, Cuba and Brazil in the world as far as area under sugar cane cultivation is concerned. However, per hectare yield is low. As against 38 tonnes per hectare in Pakistan it is 255 tonnes per hectare in Brazil, 188 tonnes in Peru and 75 tonnes in Philippines.

Sugar cane is the 4th largest crop of Pakistan having been cultivated on about 0.75 to 0.822 million hectares of land. The area under cultivation and the output was recorded at the highest level of 822,500 hectares and 30.077 million tonnes respectively in 1977-78. In the following year both area and production registered a decline. During 1978-79 area under cultivation was 752,000 hectares, showing a decline of about 8.5 % while production was reduced to 27.33 million tonnes registering a decline of 9.15 % over the previous year.

The main factors of this decrease in area and output include the shortage of irrigation water at the sowing time, fear of borer attack on crop as this discouraged cane cultivation during 1978-79. Production during 1979-80 went up with better rates of yield. The per hectare yield of sugar cane showed an improvement during 1979-80 over the previous year. As per estimates the yield was about 38.3 tonnes per hectare in 1979-80 as compared to 36.3 tonnes per hectare in 1978-79.

To understand, the area under cultivation and production of sugar cane during the last six years better figures have been tabulated below:-

**SUGAR CANE PRODUCTION OF PAKISTAN
AREA AND OUTPUT**

Year	Area Million Hectares	Production Million Tonnes	Yield Per hectare Tonnes	Change in Production %
1974-75	6.73	21.242	30.6	—
1975-76	7.00	25.547	36.4	+ 20.27
1976-77	7.88	29.523	37.5	+ 15.56
1977-78	8.22	30.077	36.6	+ 1.88
1978-79	7.52	27.326	36.3	— 0.15
1979-80	7.10	27.200	38.3	— 0.46

(p) Provisional

Source: Ministry of Food, Agriculture & Cooperatives.

Sugar cane is an exhaustive feeder and needs a very good cultivation to give the chance to the plant to prosper. To achieve a break-through in sugar cane production and to achieve self sufficiency in sugar, a crash programme has been launched throughout the country. It included application of modern technology right from the preparation of land to harvesting, loan advancing on liberal terms for the purchase of seeds, fertilizers and pesticides etc. In addition the Government has raised the rates of sugar cane at the factory gate, to provide encouragement to the growers.

PRICES OF SUGAR CANE AT FACTORIES GATE

(Rs. per 37.324 Kgs.)

Year	Sind	Punjab	NWFP
1977-78	5.90	5.75	5.50
1978-79	5.90	5.75	5.50
1979-80	7.15	7.00	6.75
1980-81	9.15	9.00	8.75

Source: Ministry of Food, Agriculture and Cooperatives.

On an average only 25 % of the total sugarcane produced in the country is made available for crushing to the sugar mills, 5 per cent is consumed as fodder and about 62 per cent is used in making gur and Khandsari. It is estimated that if the entire sugar cane produce is sent to the mills the production of sugar would come to about 2 million tons against the present average of 800,000 tons at the average sucrose content of 8.32 %. Moreover if the same quantity of sugarcane would have contained 13 % of sucrose contents, which is the world average, Pakistan could produce 3.25 million tons of sugar.

**YEAR-WISE PERCENT UTILIZATION OF SUGARCANE
IN PAKISTAN**

Year	Total Sugarcane Produced (000 tonnes)	Total Sugarcane Crushed (000 tons)	% Utilized
1975-76	25,547	7,167	28
1976-77	29,523	8,370	28
1977-78	30,080	8,990	30
1978-79	27,320	6,174	22
1979-80	27,440	5,793	21
(Provisional)			

Source: Central Statistical Division.

BRIEFS

STOPPING CURRENCY FLOW--In view of the reports of flight of capital from the country, the Directorate of Intelligence and Investigation (Customs and Excise) has set up special currency cells at all the important airports of the country. Stating this, Mr. S.T.R. Zaidi, Director of the Intelligence, said that the currency cells were operating satisfactorily all over, particularly at Karachi Airport, from where they have nabbed 50 "respectable persons" with Pakistan and foreign currencies amounting to Rs.1.7 million within the last 45 days. This figure is in addition to the seizures of currency in other provinces. He said that on the instructions of the Chairman, CBR, he had also geared up anti-smuggling organisations and re-organised the staff. He has also obtained the services of three experienced Superintendents of Preventive Service for streamlining the anti-smuggling activities of the Directorate. Meanwhile, the Drug Enforcement sleuths seized from three out-going passengers US Dollars 6,271; Pound Sterling 588 and Indian Rs.481. One of the passengers proceeding to Bangkok was carrying pounds and Indian currency in a Talcum Powder box. [Text] [Karachi DAWN in English 14 Sep 81 p 8]

CSO: 4220/303

PROFILES OF PRIME MINISTER CESAR VIRATA

Marcos' Number 2 Man

Kuala Lumpur BUSINESS TIMES in English 31 Jul 81 p 6

[Article by Monica Feria in Manila]

[Text] **PHILIPPINE** strongman Ferdinand Marcos has finally named his Number 2 man, an unsmiling, no-nonsense technocrat who is as ultra-modern in his economic outlook as he is old-fashioned in his clothes.

Finance Minister Cesar Virata, 58, the country's first Prime Minister under a newly-modified parliamentary government will also head a powerful seven-man executive committee which will stand as a "collective" successor to President Marcos should anything untoward happen.

But even after a formal nod from the 181-member interim National Assembly, Philippine Prime Minister-designate Virata is a far second. President Marcos, under new amendments, is still titled both Head of State and head of government making the Prime Minister merely his supervisory extension.

Mr Virata will serve at the discretion of the President who has already announced that he will give his officials only a year's crack each at this top post, on a rotational basis.

Any direct designation of a successor, therefore, is still held at bay and the Finance Minister's "non politi-

cal" image may yet have been the very trait that swung him the prime post.

Mr Virata has never been elected to a political post. He is what one commonly tags a "technocrat" who, despite considerable weight in decision-making, is usually not one to take a front line political leader role.

Out in the front-line is Mrs Imelda Marcos, who has already garnered an astonishing string of titles to her name — among them governor of Metro Manila and Minister of Human Settlements.

President Marcos himself had put a stop to an earlier move to draft his wife as Prime Minister, stressing that he had made a public promise not to increase fears that he was building a family dynasty.

But the outwardly quiet and aloof Virata is not all that nondescript despite his nondescript business quite and simple, old-model barong tagalog (native formal shirts).

Second look at his credentials reveal powerful international support and an untarnished record of honesty that silences many opposition leaders.

Oppositionists, in fact, criticise Mr Virata — with some apprehension — for being

"America's boy" in this former colony now highly dependent on foreign loans, a charge which Mr Virata vehemently brands as "unfair."

He has raised Philippine foreign borrowings from something like US\$40 million a year in 1972 to some US\$400 to US\$500 million a year today. He was the chairman of the powerful development committee of the International Monetary Fund and later of the "Group of 24" composed of Finance Ministers of developing countries.

More than 10 years as Finance Minister here, the American-educated Virata was cited last year by an international business publication as one of the top five Finance Ministers of the world.

Answering rumours that pressure groups from the IMF and the World Bank were responsible for his nomination, Mr Virata said their support stems only from the fact that "we have been able to prove to them that we have a good economic programme," adding that his general view is that "good economics is good politics."

Mr Virata has academic degrees in mechanical engineering and business administration. After a masters

degree in business administration at the University of Pennsylvania, he began his government service at the University of the Philippines, climbing to dean of the College of Business Administration. He worked with a prestigious management consultancy firm here and later with the government Board of Investments.

The Philippine Press labels him "in-scrutable" but agrees to his clean character record.

Possibly in view of this, his private and domestic life has been the focus of intrigue against him lately. He is married to an "irrepressible" stage actress, Joy Virata, who is known to attend only "absolutely must" official functions.

Many times, Mr Virata has had to assure reporters that he is not on the verge of a marital break-up. A recent extended stay in the US over some loan negotiations had sent rumours flying that amazingly for a man so conservative in dress and habit, he had fallen for a rich and attractive Filipino widow there.

So far, however, Mr Virata has withstood lively Philippine politics as he begins his new post. — AFP

No Political Ambitions

Kuala Lumpur BUSINESS TIMES in English 8 Jul 81 p 6

[Article by Lysander Garcia in Manila]

[Text] MR Cesar Virata, named recently as the Philippines Prime Minister under a new French style parliamentary system, is an economist of international prestige and has a brilliant grasp of statistics.

Unusually for a Prime Minister, he describes himself as having no political ambition and is shy and ill at ease at social functions.

But, in finance and money matters, no other Filipino public official has had more experience.

Mr Virata, 50, has been Finance Minister for the past 11 years, supervising seven sensitive agencies, of which two — the Bureau of Internal Revenue and Customs — are the government's biggest revenue earners.

At the same time, he headed nine public institutions, two of them being the Land Bank of the Philippines and the Philippine Amanah Bank, and was a director or member of 28 other government agencies.

Mr Virata is also chairman of the Asian Development Bank (ADB), based in Manila, Philippine governor of the International Bank for Reconstruction and Development (IBRD), and of the International Fund for Agricultural Development (IFAD), and alternate governor of the International Monetary Fund (IMF).

From 1976 to 1980, Mr Virata was chairman of the Development Committee of the World Bank and IMF. He then became chairman of the Group of 24, the association of Finance Ministers of developing countries.

He has represented the Philippines in countless negotiations abroad dealing with financing, development, trade and investments.

Mr Virata has directly helped to shape and influence world bank and IMF policies on assistance for developing countries, to the extent that the latter now obtains loans from the two agencies on better terms, easier conditions and for a broad range of projects which include energy development, education, infrastructure and public health.

Obviously using his worldwide connections well, he has been able to get pledges of more than US\$1 billion in international aid for the Philippines this year.

But within the country some of his policies and decisions have been severely criticised, among them his reimposition this year of capital gains tax on stock market transactions.

Newspaper columnist Teodoro Valencia, one of his sternest critics, says: "The economic system, the taxation formulae we are following, the production techniques and ideas are our undoing. They're alien to our ways and our capabilities. The geniuses who foliated them on us copied them from American models..."

Friends and associates talk of Mr Virata's computer-sharp mind. He keeps all the economic statistics in his head, they say, and refers to them with total recall.

Last year, *Fortune* magazine named him as one of its top ten Finance Ministers in the world. In 1978, the *Institutional Investors* magazine rated him one of the world's top five.

But for all his prestige in international finance, and his rich experience in economics, Mr Virata is a painfully shy and retiring as a person.

He is ill at ease at social functions, preferring to stay unnoticed in a corner. When forced by protocol to join in a setpiece dance at President Ferdinand Marcos' Inauguration Ball on June 30, he agonised through every awkward step.

He is a couturier's nightmare. His clothes never quite seem to fit, and his greying hair is crewcut in a land where thick, flowing hair is the fashion.

Mr Virata's critics say he has no sense of humour. He is rarely seen smiling, absorbed in apparently perpetual worry. His critics also say that he has difficulty relating to people.

Yet officials say Mr Virata's uninvolved, apolitical personality may be one of his main assets as far as President Marcos is concerned.

Last year, President Marcos named him chairman of the Cabinet Standing Committee, with supervisory powers over all government ministries. His principle asset is that President Marcos needs an economics expert.

Mr Virata finished two courses at the University of the Philippines (UO), one in business administration, cum laude, and the other in mechanical engineering.

He finished his masters in business administration at the University of Pennsylvania.

He was dean of the UP College of Business Administration from 1961 to 1969 before President Marcos tapped him for administration work. He is married with three children. — Reuter

EIGHT GEOTHERMAL FIELDS IN VARIOUS STAGES OF DEVELOPMENT

Kuala Lumpur BUSINESS TIMES in English 10 Jul 81 p 6

[Article by Ho Sook Han]

[Excerpts] FOR people in Tiwi, a small town in south eastern Luzon, about 180 miles from Manila, geothermal energy mostly used to mean being able to steam a chicken or boil an egg right where hot gas or boiling mineral water seeped from the ground or rock crevices.

They may still cook their food in this way but thanks to the construction of a 220 Mw geothermal power plant three years ago the people of Tiwi and the surrounding region are also able to have light "at the flick of a switch".

The Tiwi geothermal plant, the first one of commercial size in the Philippines, is an example of the country's drive to develop energy sources to substitute for oil.

Last year 92 per cent of the commercial energy used in the country was imported. The oil bill was estimated at US\$2.7 billion (about \$6.2 billion) to meet a consumption of about 240,000 barrels a day.

The Philippines is now banking its energy hopes on two major resources — hydro and geothermal. In the government's five-year energy programme which was compressed from the previous programme spanning ten years, geothermal energy is estimated to meet 12.2 per cent of the country's energy needs by 1985, compared to the previous target of 7.2 per cent by 1989.

Currently the world's second largest producer

of geothermal energy, the Philippines has moved up from ninth place when it first started commercial production three years ago.

By the end of the decade, experts feel it may well be the leading producer of geothermal energy, overtaking the United States which had 502 Mw of geothermal capacity as of September last year.

According to Mr Arturo Alcaraz, head of the geothermal division of the Philippine National Oil Company (PNOC), the country's geothermal potential is sufficient to generate 200,000 Mw for a hundred years. There are presently about eight geothermal fields in the country in various stages of development.

The sites are fairly well distributed throughout the islands but the majority is in two regions, Luzon and the Visayas. So far about 140 wells have been drilled.

Presently 440 Mw of electricity is generated from geothermal sources, about a tenth of the total installed generating capacity of 4,500 Mw.

The objective of the geothermal power programme is to develop 1,432 Mw from this energy resource by the mid-80s. In addition to the four units at Tiwi producing 220 Mw, four units at Makiling-Banahaw (Mak-Ban) in central Luzon supply another 220 Mw.

By the middle of next year, another two units of 33 Mw each are expected to be added to both Tiwi

and Mak-Ban.

In the Visayas, the geothermal fields are in Leyte province and sugar-rich Negros Island. Two plants, at Tongonan in Leyte and Palimpinon in southern Negros, each consisting of three 37.5 Mw are expected to be commissioned by the middle of next year, bringing the total installed geothermal capacity to 665 Mw.

The Tongonan field is estimated to be one of the largest in the world by World Bank experts who were in the Philippines last year to assess the energy situation.

Tongonan being developed by PNOC has a potential output of 400-500 Mw "but this will be severely limited until the time comes, perhaps soon, when an interconnection between Leyte and Luzon can be justified," say the bank experts in a report on their findings.

Despite the high production potential of Leyte and Negros (which has a potential of 115 Mw) their full development is hampered by their distance from Manila where the energy demand is greatest, accounting for three quarters of total national demand, according to an official of the National Power Company (NPC).

In the Visayas, an interconnection is already planned between southern Negros and Cebu which will permit use of Negros geothermal steam on two islands now heavily dependent on oil-fired generation.

area for short-term geothermal development remains central or northern Luzon, where potential sites are close enough to the Metro Manila market to use existing lines.

According to the NPC, the average cost per Kw geothermal energy installations ranges from 2,729-4,050 pesos (about \$909-1,350). Thus, Philippine experts feel that geothermal plants are more economic to operate than other conventional plants.

However, World Bank experts feel that geothermal energy is not much cheaper than coal-fired or nuclear power since it requires heavy investment in wells and steam-gathering pipe networks.

The government feels that if the target for geothermal production is reached, it will mean an annual saving of about US\$270 million in the oil import bill.

Last year, the energy produced by the two geothermal plants at Tiwi and Mak-Ban was estimated to be equivalent to a crude oil production of 315,000 barrels a month or 3.7 million barrels annually.

In terms of foreign exchange savings, this was equivalent to more than US\$120 million a year, at the price of US\$32 a barrel of oil.

The production capacity of a 33 Mw geothermal plant is equivalent to a crude oil production of 45,000 barrels a month or 540,000 barrels a year, according to the NPC.

MANILA FINDS FOREIGN LOAN FUNDS EASILY AVAILABLE

Kuala Lumpur BUSINESS TIMES in English 31 Jul 81 p 18

[Text]

BANKERS here say the Philippines, often seen as the least attractive of Asian borrowers, is having no difficulty raising credit from international money markets at increasingly favourable terms.

These terms, which have surprised some, can be explained if seen relative to the rest of the currently competitive Asian loan scene and to the status of the Philippines present major borrowers, the sources said.

The latest Central Bank jumbo loan is for US\$100 million over 10 years with four grace at 0.75 per cent over London Interbank offered rate (Libor), terms the Philippine Central Bank Governor Jaime Laya said this week in Manila were the best since 1978.

One banker here said loan margins to the Philippines have been dropping but 0.75 per cent over Libor still represents a better return than in most of the rest of Asia.

Another large borrower, South Korea's Korean Exchange Bank, this month signed a US\$700 million eight-year loan with four years grace at 0.625 per cent over Libor and spreads on loans to Malaysia are reaching down to 0.5 per

cent over.

Bankers said banks increasing exposure elsewhere in Asia is one reason they want to enter the Philippines now. A US\$100 million Wells Fargo Bank credit just completed for the Central Bank rose to US\$300 million on bankers' response and the borrower asked it be cut to US\$200 million.

President Ferdinand Marcos Government now looks more secure than in recent years and the credit rating of actual borrowers is good, despite some weak fundamentals in the Philippine economy, the bankers said.

Central Bank figures for the economy for the first half of this year show a trade deficit of US\$1.29 million, 53 per cent above US\$343 million in the same period last year.

The balance of payments deficit was US\$243 million, 22 per cent over the 1980 first half's US\$199 million. The consumer price index rose at an annual 13 per cent against 20. At end-June M-1 money supply was 21.38 billion pesos, 15 per cent above end-June last year, but 5.1 per cent below end-December.

Domestic debt grew 20 per cent from end-June 1980 to 102.01 billion pesos, while foreign debt was US\$13.77 billion, up eight per cent from end-June 1980.

In May Jaime Laya said the 1981 debt servicing ratio will be 19.1 per cent, within the self-imposed ceiling of 20 per cent of annual foreign exchange receipts, on debt servicing payments of US\$1.8 billion, against 18.7 last year.

Economic Planning Minister Gerardo Sicat recently forecast 5.5 per cent growth for 1981, against a revised 5.4 per cent in 1980 but one remaining main problem is the oil import bill at US\$2.5 billion in 1980 and projected at US\$2.8 billion this year.

The Central Bank's long-term borrowing this year shows the trend of loan spreads, starting with a US\$200 million and a US\$50 million loan both at eight years with four grace at 0.875 over Libor.

It then took US\$100 million for 12% with four grace at 0.875 per cent for the first six and 0.75 per cent for the rest, after which it took on the US\$100 million 10-year loan with five grace at 0.75 per cent.

The bankers said they

HONG KONG, July 30

did not think spreads would fall further very quickly and felt they could lend to major Philippine companies because many loans were backed by the country's banks.

The Central Bank in particular is taking increasing power. In February, it tightened up banking regulations to keep a firmer hold on the country's financial system.

This January, the Philippine Money Board laid down that to obtain a government financing institution guarantee on a foreign loan the interest rate should not exceed 4 percentage point over the Central Bank's latest borrowing. Those without official guarantee are not to exceed 4 per cent.

Previously the rates were 1% and 1% respectively. The minimum repayment period for loans over US\$3 million is now eight to 10 years against 10 years only.

This week Marinduque Mining and Industrial Corporation of the Philippines signed a US\$127.2 million oil import facility, at 0.875 per cent over the Singapore interbank offered rate, guaranteed by the Development Bank of the Philippines.

— Reuter

NEED TO UPDATE FIVE-POWER DEFENSE ARRANGEMENT

Kuala Lumpur NEW STRAITS TIMES in English 6 Jul 81 p 14

[Article by Francis Daniel in Singapore]

[Text] SINGAPORE: Singapore wants the 10-year-old defence umbrella in this part of South-East Asia updated with some form of military understanding with the United States.

This is needed because of a shift in the power balance in the area, senior Singapore officials said.

The five-power defence arrangement (FPDA), linking Australia, Britain, Malaysia, Singapore and New Zealand, was set up in 1971 soon after the withdrawal of British forces.

Its initial aim was to provide defensive cover for the Singapore-Malaysia region, particularly against communist insurgencies.

Although Singapore has not put forward any specific proposals to modify the FPDA framework, officials here now believe strategy should be worked around the United States.

"We do not advocate a military alliance with the US but there must be some military understanding with the US which is the only country with strength to counter the Soviets," a senior official told Reuter.

Until a few months ago, the five-nation defence arrangement remained dormant, confining activities to periodic reviews and consultations on security matters. Australia took the initiative to revitalise the

defence mechanism in view of the continuing tension in Indochina.

A joint air exercise was held in October followed by a major maritime exercise last month. The FPDA also announced plans to hold a series of land exercises in the coming years.

Singapore is participating in all the exercises, but its Second Deputy Prime Minister, S. Rajaratnam, has questioned the effectiveness of the FPDA.

Subversion

In a newspaper interview, Mr Rajaratnam said when the FPDA was formed 10 years ago, there was a different power game in the region.

"The British were here, the Americans were here in Asia, the Soviet Union was just a shadow. Vietnam was no problem. Today it is a different world."

"The immediate thing that will dominate international politics and security for the next 10 years at least is Soviet ambitions. The FPDA is no barrier to this kind of threat," he said.

The Soviet threat to this area is part of an overall global problem, he said, adding: "It is a global business, but the lynchpin is the US, and things must be worked around the US."

Although the FPDA was established mainly to counter communist insurgencies and internal

subversion, Malaysia and Singapore have built up adequate defence forces to meet any internal crisis, according to officials here.

They say that despite Malaysia's continuing fight against communist guerillas along its border with Thailand, the country itself is peaceful without any sign of organised underground resistance.

The Singapore government also says the communist subversive network has been smashed.

This has been made possible to some extent by the FPDA providing a psychological and stabilising force in the Malaysia and Singapore region during the 1970s, the officials said.

But they said the situation had changed now, with the Soviet Union and China drawn militarily and politically into South-East Asia. The Sino-Soviet rivalry had engulfed Indochina, threatening to spill over into Thailand, the immediate neighbour of Malaysia.

"In the context of the changing power balance in the 1980s, there is a need for a rethink as to how the defence of non-communist South-East Asia can be best safeguarded in the light of Soviet ambitions and the extension of the Sino-Soviet conflict into Kampuchea," one senior Singapore diplomat said.

He said Singapore was not advocating the dis-

mantling of the FPDA. "We want certain readjustments made to reflect the realities of the situation in the area. The FPDA must be able to respond effectively to outside threats," he added.

Under the FPDA, New Zealand maintains an infantry battalion in Singapore, and Australia an air squadron in Butterworth.

Britain has no force in the two countries and only provides token support to the defence setup. Some British diplomats agreed with the Singapore view that the FPDA could have outlived its usefulness.

New Zealand and Australia also send some of their warships to this region on occasional trips as part of their commitment to the FPDA.

Although Australia and New Zealand have declared their firm support to the defence arrangement, both countries have announced plans to withdraw their ground and air forces from the Singapore-Malaysian theatre in the next few years.

New Zealand military officials said the withdrawals would not affect the FPDA as they could provide an effective and swift air response from their home bases in an emergency.

But Mr Rajaratnam, the architect of Singapore's foreign policy since the island's independence 20 years ago, said there must be a rethinking on FPDA. - Reuter.

ARMY FACES PROBLEMS IN CPT SUPPRESSION IN SURAT THANI

Bangkok THE NATION REVIEW in English 20, 21, 22 Aug 81

[Three part article by Pairoj Poompradit and Sombat Raksakul]

[20 Aug 81 p 4]

[Text]

SURAT THANI-
The Operation is dubbed "Wanarat 24" and its main thrust is to win the war against the communist insurgents through cracking down on the "political barriers."

The lesson has been learned in a painstaking way. As a senior military officer here said:

"We would never win over the Communists in a decisive way, however strongly we may hit at them militarily, if we couldn't destroy their structure of influence in the villages."

That's part of the strategy of Wana-rat 24. Operations which have been underway for weeks, with little publicity.

The Civilian-Police-Military (CPM) 42 Command, which carries the brunt of the responsibility of this task, picks specific targets based on their intelligence network - and launch assaults for military purposes. But at the same time, political strategies are also carried out in parallel with the military actions.

One of the political strategies is political education to the people, with the establishment of a "CPM-42 Political School."

The "students" at the school are divided into three categories: Communist defectors; captured insurgents and those "invited" for the training course, each of which lasts eight days.

Many are invited for the course for "better understanding" of counter-insurgency tactics which should be adopted at the village level. Once through the course, the villagers would serve "more or less like opinion leaders" in the fight against the Communists, back in their surroundings.

Another group of "invitees" for the course are those identified by government intelligence as "sympathetic" to the insurgents. "These people wouldn't surrender to authorities. So, we invite them to join the course," said the military officer.

The basic curriculum of this course follows a similar line

of that for a security training session. "But we do put emphasis on the timing of a military operations at a particular area and time," the officer said.

He cited the example of the military drive being launched at Baan Prukrachang in Amphoe Wiang Sa which goes hand in hand with a political education course. The military personnel involved in the campaign and the local chief police officer as well as the district officer would pick the right kind of people to attend the course.

The whole course runs 56 hours of intense "education." All participants put up at Donnok Camp within the CPM-42 Command's compound. They are taught such political subjects as democracy and communism, Thai history, basic political science, economics, culture, etc.... Primary health and family planning techniques were also included in

the training and another main topic is: "Withdrawal from the CPT."

The military officer explained: "Techniques in defection are also quite important. Many villagers who have been forced into the jungle simply didn't know how to break their relations with the Communists."

Villagers attending the course are advised to "slowly and gradually" loosen up their relations with the insurgents and should try to avoid too sudden a cut-off.

"For example, we advise the villagers that if they were offering two tangs of rice to the insurgents every month, they could reduce it to one and a half tangs by giving them some reasons. Then, later, they could reduce it to one tang until the supply could be stopped altogether," the military officer said.

The "Wanarat 24" Operations are different in many aspects from other earlier military drives launched earlier.

"We don't use the search-and-destroy tactics. We have learned that by sending our men to search and destroy the insurgents, we became targets of their attacks instead," said Col (Special) Kittirattana-chaya, Deputy Chief of the CPM-42 Command.

He explained: "We would hit at an area only when we are certain of its location and the actual condition of the enemy. We don't just send our people in aimlessly to search for targets without first determining how strong or weak the other side is in the area."

The attack on the CPT camp, known as "2524," in Khao Poon in Amphoe Chawang of Nakhon Si Thammarat Province near Wiang Sa of Surat Thani last Saturday (Aug 15), perhaps, follows that pattern in its planned form.

The assault was ordered after the military arrested an alleged insurgent on Aug 9. Questioning produced information about the location and strength of the insurgent camp from where some of the insurgents had been despatched to burn up a locomotive at Prukachaeng on Aug 4.

After the information was confirmed, a strafing mission against the camp was ordered early on Aug 15, backed by ground forces which moved in under air cover. The camp was seized but there were traces that the insurgents had fled the camp about seven to 10 days earlier.

The military force pulled back after that operation. "But we won't move on just to search and destroy since it's not worth the risk. We came back to our base to start gathering intelligence once again to definitely locate another insurgent camp for another assault," a military officer involved in the Aug 15 operation told *The Nation*.

Admittedly, such a strategy would take time, according to Col Kittir.

"But that's the only pragmatic way to do it. We have to identify the target first instead of simply going out to look aimlessly for things to destroy," he said.

[Text]

SURAT THANI -

It was early morning on Aug 7, the anniversary of the "Gun Burst Day" for the Communist insurgents who fired the first shot 16 years ago in the Northeast to mark the beginning of its armed struggle. But here in the Mid-South, a team of military men was moving slowly and cautiously into Phrukrachaeng village in Amphoe Wiang Sa. Their mission was to surround it and flush out the insurgents.

Phrukrachaeng has been in the headlines recently, first when a railway bridge was blown up on July 23 and secondly when a locomotive was blown up on Aug 4.

The government force was moving into the village with more than just an immediate objective of taking control of the situation. The operation was meant to wipe out the influence of the Communist insurgents in the area on a long-term basis as well.

The soldiers moved in and started searching houses and shops. The search was meticulous - house dwellers were asked to produce the domicile registration cards, the firearms licences and vehicle licences, if any. No stone was to be left unturned.

The team, led by Col Prayuth Tapcharoen, Operation Chief of the Civilian-Police-Military (CPM) 42 Command, proceeded to a temple in the village and set up its military-political centre right there.

Checkpoints were set up at spots leading into and out of the village. The objective: Cut down on logistic and food supply to the jungle.

"We have to do the job with a fine-toothed comb," said a military officer in the team. "Otherwise, our blockade against the insurgents would be futile. For example, just this morning, 10 sacks of rice were transported into the village. We had to keep an eye on where they were sent to. We want to make sure we can starve the insurgents," he added.

Patrol teams were sent out to collect intelligence in the area - while the political part of the "Wanarat 24 Operation" was launched.

Military officers responsible for the psychological aspect of the operations went out to "reach an understanding" with the local people. And the message was clearly to convince the local villagers to find means to defend themselves.

The theme was: It would be impossible for the soldiers to provide protection for them all the time. The local villagers must learn how to conduct joint self-defence when the military pulls out.

Phrukrachaeng, only about nine kilometres from Wiang Sa District, is a common passage for the insurgents. Local sources said that

some villagers here had fled to the jungle for a variety of reasons.

"Sometimes, those who went up to the jungle returned here. They came on motorcycles (the local common commuting service) but they didn't wear their jungle uniform," a local villager told *The Nation*.

The day the insurgents blew up a railway bridge (July 23), "they came into the market after having carried out the job and came to ask the village headman (karnan) to tell the villagers not to go near the scene. There might be some live bombs. Then, they stopped by to buy some cigarettes in a shop in the market before returning to the jungle," the villager reported.

Phrukrachaeng has been organized into a "self development and defence village" for two years as part of the official concept to inject "immunity" into the villagers against Communism.

"But in practice, the effort has been a failure. I am studying the reasons why it

failed. It's an important thing to find out," said Lt Col Suwan Chinda, Chief of the CPM 42 Command's Psychological Operations.

He added: "We must try to revive the programme here. Once the soldiers pulled out, and if the village doesn't have its own strong political structure, the insurgents' influence would return to overshadow the government's efforts."

The CPM 42 Command has been distributing leaflets in the area calling upon the insurgents to surrender as part of their campaign. "Your life is valuable. Why stay on in the jungle? The government would offer your amnesty," says part of the leaflet.

It goes on to say: "It is our conviction that it is better to have one defector than to kill 10 insurgents. We don't want to kill our own fellow countrymen. This is the time for you to return to the fold..."

A military officer admitted that the political part of the campaign is more difficult and delicate than the military drive.

"The political work is sensitive. Villagers here have had closer physical contacts with the insurgents all the time. It isn't an easy thing to

create conditions in the villages to detach them from the insurgents," he said.

The military officer said that most villagers who are not sympathetic with the insurgents find themselves in a dilemma. The big question is: What would happen after the soldiers pull out of the village?

"Several years ago, a unit of soldiers was posted here. The local villagers were very cooperative. But after the military unit was pulled out, some of the villagers were killed by the insurgents who declared that the victims were spies for the government," a local villager said.

That statement perhaps sums up the general mood here. A sense of nervousness appears on most faces. That, too, may explain why the military officers in charge admitted that political work is not all that simple a task.

[Text]

SURAT THANI -

The ongoing massive operations to wipe out Communist insurgents in this southern province have had wide-ranging impact on the local villagers here. There is no denying the fact that the livelihood, morale and general mood of the villagers have been affected, one way or the other.

"Certainly, we have to try to avoid any action that may give trouble or inconveniences to the people here. If we don't get support from the villagers here, our whole mission would be a failure. But not everything is cut-and-dried. We have to look at an issue from various aspects before coming to a conclusion," commented a military officer.

One obvious "inconvenience" for the local people in Amphoe Baan Nasan and Wiang Sa is the curfew from 8.00 pm to 5.00 am the following day. The rubber-tappers, who constitute a large part of the local population, have been directly affected.

"We are reconsidering this problem," Col (Special) Kittiratanachaya, Deputy Commander of the Civilian-Police-Military (CPM) 42 Unit, told *The Nation*.

"We don't want the local people to have trouble going about their daily work. In fact, the curfew was aimed at controlling the movements of the people to facilitate the crack-down on the insurgents. In any area where we have the situation under control,

the curfew would be unnecessary. I have instructed local officials to assess the situation to propose a solution in this respect," he said.

The curfew was first imposed on July 18 in four of Wiang Sa's five tambons and four of Baan Nasan's seven tambons.

The local villagers have already petitioned the authorities for relaxation in the curfew hours - to amend them to cover up to only 3.00 am or 4.00 am so that they would have more time tapping the rubber trees, which is most effective in the early hours.

If the curfew poses some direct problems, it's not the only "inconvenience" that has upset the local lifestyle.

"The stationing of soldiers in the village has had the effect of jacking up prices of goods here. Inflation has hit us all because soldiers can afford to pay more than local villagers," a local official at Phrukracheng commented.

Inflation might not have been caused only by the fact that demand for goods had gone up because of the military presence. "I believe that another reason why prices have gone up was that checkpoints have been set up to control the movement of goods. The traders don't want to move their stocks in too much at a time for fear of being suspected. So, naturally, things have become more expensive," another villager noted.

All these may appear to be "small problems." But military officers in charge of the Wannarat 24 Operations admitted that they had to take every little detail into consideration.

"We have to care very much about the villagers' feelings. If they are against us, our mission would end in futility," one of them said.

Another military officer said that decisions on such sensitive issues as whether to impose or lift the curfew were hard to arrive at. "The petition to lift the curfew, for example, may or may not be real. Sure, villagers are affected. But we also have to determine whether the insurgents are behind the petition as well," he said.

The other impact deals directly with the psychological part of the change that has taken place since the soldiers move in.

A military officer explained the dilemma of an average villager under such circumstances:

"I went to see an elderly villager here the other day to talk about everything. He was very cooperative, and told me everything he knew. The next day, an informant for the insurgents went to see him and ask what he had told me. The old man said he was scared at times to be caught in the middle."

It is not always possible to distinguish an innocent villager from an insurgent. "They all look alike and behave the same way. A guy may look innocent enough. But he may turn out to be an informant for the insurgents, having watched me from the first step I walked into the area..." the military officer said.

Some villagers have openly said they don't want to be on anybody's side. They are used to the dilemma and they don't want to be caught in trouble.

"Some villagers told us that the insurgents had done no harm to the villagers. But we try to explain to them the long-term dangers of Communism which had already changed things in Laos, Vietnam and Kampuchea..." another military officer said.

But for the common villager, it is not always an easy role to play to be "kicked around like a football," as one villager put it.

"It has been better lately though. The soldiers have stopped bullying villagers. They used to be much worse. But we are in a sensitive village. The insurgents come and the soldiers come. Everybody comes. But we have no way to go..." an elderly villager said.

CABINET APPROVES PURCHASE OF AUSTRALIAN AIRCRAFT

Bangkok THE NATION REVIEW in English 26 Aug 81 p 3

[Text]

THE CABINET yesterday switched on the greenlight for the Air Force to buy a fleet of 20 Australian Nomad aircraft for internal surveillance work.

The Defence Ministry requires 766.633 million baht budget for the purchase, the decision on which was made despite the controversy in June this year.

The Nomad N22 Mission Master aircraft is constructed in its basic form by the Australian Aircraft Factory (GAF), a wholly-owned undertaking of the Australian Government.

Delivery of the aircraft would not be completed until 1984.

Nomad aircraft are usually used for reconnaissance flights with a crew of one or two — and a maximum load of 12 passengers. Gun

and rocket pods are also available. The nose can be used to accommodate surveillance and night vision equipment.

The purchase also covers supply of spare parts, communications equipment and technical services.

The Defence Ministry said in its proposal that the Australian Government had agreed to sign a "Memorandum of Understanding" with Thailand related to the transaction to bind the Australian Government to monitor the performance of the contract and to intervene — should any problem arise.

CSO: 4220/408

BRIEFS

FISHERMEN TRADING WITH VIETNAMESE--Samut Sakhon--A police investigator here said there was sufficient evidence to accuse the 12 fishermen arrested here on Saturday of trading with Vietnamese for gold bullions. The fishermen were nabbed with about 30 kgs of gold bullions and ornaments which they claimed to have been bought from Surat Thani. The gold and valuables were valued at eight million baht, police said. The police investigator of the Muang District handling the case said police had been tracking down on these fishermen for quite sometime before making the arrest. He said they went to the Vietnamese waters where they exchanged their goods with gold or other valuables. "They are professionals and very clever in evading questions," he said. They were initially charged with smuggling gold into the country. The police investigator said the documents in Vietnamese seized from their trawler will be sent to police interpreters today. Government authorities have claimed that many fishermen, particularly those living along the eastern coast, had been engaged in secret trading with the Vietnamese. They were said to have transported basic goods--and sometimes logistic supplies--to the Vietnamese in the Vietnamese waters in return for gold. However, this is the first arrest related to such allegations. [Text] [Bangkok THE NATION REVIEW in English 24 Aug 81 pp 1, 8]

CONCERN OVER WORLD BANK DEBT--Specialists have pointed out the fact that Thai industry has always had to depend on others and has grown by going into debt borrowing abroad. This has led to Thailand's ranking as the 10th biggest debtor with the World Bank. Mr Suphachai Phanitphak, chief of the Bank of Thailand's currency exchange analysis section, revealed that much of Thailand's industry has not grown and progressed on its own resources. This growth has been due to borrowing abroad to the extent that the latest reports of the World Bank state that Thailand has the 10th largest debt in the world. It is felt that this problem warrants serious consideration. The chief of the analysis section pointed out that there has been a concentrated use of oil as an energy resource in industry and transportation. However, for the last 10 years Thai industry has made no structural changes to reduce energy use, although the energy situation has reached crisis proportions or close to it. It is in this area that we must make improvements "but nobody has done anything at all." [Text] [Bangkok SIAM RAT in Thai 24 Aug 81 pp 1, 12]

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